E

Distr.
GENERAL

E/ECA/LDCs.6/EXP.5/2
27 March 1986

ENGLISH
Original : ENGLISH/FRENCH

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA

Fifth Meeting of the Inter-Governmental
Committee of Experts of African
Least Developed Countries

Yaoundé, Cameroon, 2-4 April 1986

ECONOMIC COMMISSION FOR AFRICA

Sixth Meeting of the Conference of
Ministers of African Least
Developed Countries

Yaoundé, Cameroon, 15-16 April 1986

LC/NAIROBI

REVIEW OF ECONOMIC AND SOCIAL CONDITIONS IN AFRICAN LEAST DEVELOPED COUNTRIES

1984 - 1985

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INTRODUCTION

1. The Substantial New Programme of Action (SNPA) for the 1980s for the Least Developed Countries (LDCs) adopted at Paris in 1981 by the United Nations Conference on the Least Developed Countries was designed as a formula for remedying the constant deterioration of socio-economic conditions and the bleak development prospects of the countries in question. Taking into account the structural weaknesses prevalent both within-directly productive sectors and within institutions, the Programme set quantified development targets to extricate the LDCs from the deadlock. These targets, which fall within the framework of the International Development Strategy, provide, inter alia, for an annual growth of 7.2 per cent in GDP, 4 per cent in agricultural production, 6 per cent in imports and 9 and 7.5 per cent in manufacturing output and exports respectively.

2. While urging the LDCs to adopt vigorous measures to ensure effective utilization of national (particularly financial) resources, the Programme emphasizes the low potential for investment. Thus an appeal was made to the international community for a substantial increase in official development assistance (ODA) in real terms during the 1980s. The resource flow required on the basis of the national programmes submitted by African LDCs had been estimated at $6 billion a year, with priority in their allocation being accorded to the agriculture sector.

3. The 26 African LDCs form part of the world's lowest income group. Their situation has been aggravated by natural disasters such as the drought which has threatened the African continent with the spectre of famine. The African LDCs have, however, made real efforts to establish national counterparts to the SNPA by, inter alia: (i) the holding by most of them of consultation meetings with donors; (ii) the initiation in almost all countries of structural adjustment programmes with a major component aimed at mobilizing national savings for development purposes; and (iii) the strengthening of national programming and project management capacity.

4. Support from external sources of financing has not, unfortunately, come up to the level of expectations. The global mid-term review of progress in the implementation of SNPA shows external aid flows which are clearly down in real terms, particularly in respect of ODA from the member countries of the Development Assistance Committee (DAC) to African LDCs. Expressed in constant 1982 prices, these resources declined from $2280.2 million in 1981 to $2260.1 million in 1985 and $2072 million in 1984, or an average annual decrease of 3.1 per cent.

I. OBJECTIVES AND ORGANIZATION OF THE STUDY

5. It is against this difficult economic background that the present document seeks to describe the performance of the African LDCs' economies over the period 1984-1985. The analysis takes the form of two parts with an identical structure: the first part deals with the African LDCs as a group, and

the second presents country profiles. Each of the two parts gives a succinct picture of: (i) overall growth performance; (ii) major development problems and policies; (iii) expenditure on GDP; (iv) public finance; (v) external trade, balance-of-payments and external debt; (vi) sectoral performance; (vii) implementation of the SNPA and (viii) development prospects.

II. GLOBAL EVALUATION OF THE ECONOMIC AND SOCIAL CONDITIONS

A. Overall growth performance

6. The developing countries in general and the African LDCs in particular have not benefitted from the incipient economic recovery apparent in the industrialized countries. The latter have limited the linkage effects of their economic growth on their fragile economies on the LDCs on grounds of the need to control inflation and by instituting protectionist measures which have in real terms resulted in a reduction of their assistance to the productive sectors of the economically weak countries. The harmful effects of these external factors have been exacerbated by natural disasters such as drought, cyclones and floods which have considerably reduced the potential for agricultural production, the main source of value added in the African LDCs. Indeed, the growth rate of the agriculture sector has been negative, of the order of -1.4 per cent a year. The constant deterioration in external payments and the escalation of interest rates have restricted access to the international capital market and diverted a large part of the meagre financial resources available to these countries to the servicing of their external debt.

7. As a result, the GDP expressed in constant factor costs (1980=100) of the African LDCs taken as a group, following an average annual growth of only 0.12 per cent between 1981 and 1984, underwent a marked recovery to 2.3 per cent in 1985. This improvement at the end of the period is essentially the result of the efforts made at the domestic level with the return of rainfall to normal, and the adoption of selective investment policies to promote the most productive sectors.

Table 1

GDP Growth rate in real terms
1980 = 100

Year	1981-1982	1982-1983	1983-1984	1984-1985	1981-1984	1981-1985
ate	1.86	4.22	-1.90	2.32	0.12	.66

Source: ECA

8. Taken individually, these trends correspond to a clear slowing down of the rate of decline in per capita income. The per capita income growth rate, although it remained constantly negative, rose from -2.5 per cent between 1981 and 1984 with an average of $158.4, to -0.3 per cent in 1985 (at 1980 prices) $125.4.

9. No substantial sectoral slippage took place during the period under review. The contributions of the major sectors to total value added were relatively stable - in real terms 40.4 per cent for agriculture, stock raising, hunting, fisheries and forestry; 42.2 per cent for the tertiary sector; 8.1 per cent for manufacturing industry; 4.3 per cent for building and public works; 3.9 per cent for extractive industries; and 1.1 per cent for the energy sector.

B. Major development problems and policies

10. The economies of African LDCs continued to suffer from a very broad range of problems, affecting such areas as the key productive sectors, public finance, money and external payments.

11. Agriculture is the productive sector which was most affected during the period under review. To the customary difficulties of traditional modes of production, inadequacy of qualified managerial staff and poor financial management, the precarious nature of basic socio-economic infrastructure and the heavy population pressure which leads to over-exploitation of fertile land was added a persistent cycle of drought. Simultaneously with limiting the expansion potential of agriculture, the main source of value added, this natural disaster enlarged the subsistence sector and created whole regions of famine in the countries of Sahel and the Horn of Africa (particularly in the Sudan and Ethiopia). In production regions as fertile and well served by rainfall and water resources as Burundi, Rwanda and Guinea, land utilization rates were rarely above 20 per cent, with an annual expansion potential of only 1.1 per cent in the case of the first two countries. The absence of incentives to production particularly in the form of sufficiently remunerative producer prices, also reduced growth in the agriculture sector.

12. The famine afflicting the African LDCs has had essentially two consequences: (i) the first demographic, and (ii) the second economic. Internal and external migrations have swelled the flood of 10 million people in Africa moving towards more hospitable geographic regions. Thus refugee camps have proliferated, and the supply of food to them has been hampered by the inadequacy of transport and communications networks. Where outward migrations from the countries are concerned, record levels were recorded in the case of countries such as the Comores and Cape Verde, with respectively 25 per cent and 50 per cent of the resident population.

13. The economic consequence involved a shift from development activities, towards tertiary activities, services depending essentially on external demand, which itself is closely correlated with the political situation prevailing in neighbouring countries. This is so in the case of Botswana, Lesotho and Malawi, and especially of Djibouti, the Gambia and Benin. These last three countries placed great

reliance on re-export activities and tourism, which proved to have a very low linkage effect on the rest of the economy, and were often hampered by protectionist barriers imposed by certain neighbouring countries. In this way, the outward-looking nature of most African LDCs' economies became even more pronounced, with heavy dependence on exports of primary commodities and imports of food and capital goods.

14. In addition to the crisis in production brought about by difficulties in the supply of raw materials and spare parts, industrial units, which are for the most part agriculture-based, suffered from enormous financial and marketing problems. Dominated by the State sector, they experienced cash flow problems resulting from the shortage of working capital, their heavy indebtedness both to national banking systems and to the outside world, and the land-locked situation of the majority of African LDCs. This latter negative factor was aggravated by the countries' poverty in energy sources, the inability of existing units to generate and save the foreign exchange required to repay the loans which financed them, the excessive capacity of factories, and the temporary interruptions of traffic with certain countries (the closure of the Nigerian border in West Africa and the embargo by the Republic of South Africa in Southern Africa). As a result, considerable interruptions of production occurred.

15 In order to come to the aid of these various sectors in which the African LDCs have become active, and to meet the vast public expenditure occasioned by the over-staffing of the State sector and the heavy demand for basic socio-economic infrastructure, most of the countries in question have incurred constant deficits in terms of their public finances. These deficits have been aggravated by: (i) the limited potential for expansion of the tax base; and (ii) the heavy burden of their external debt. Income tax revenues have been limited by the low level of incomes, while tax revenue from foreign trade has decreased and the level of savings has remained very low compared to investment needs. One of the main consequences of the budgetary situation has been the frequent resort to drawing both on external loans and on national monetary institutions. This credit expansion policy has contributed to the rising inflation in most of the countries.

16. The external debt of the African LDCs remains the major constraint on their development after that created by the drought. Indeed, 18[1] of the

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[1] In decreasing order of debt these 18 countries are the Sudan, the United Republic of Tanzania, Ethiopia, Somalia, Guinea, Uganda, Mali, Malawi, Niger, Benin, Burkina Faso, Burundi, Botswana, the Gambia, Lesotho, Chad and Guinea Bissau.

31 most indebted African countries fall within the LDC group (or more than 69 per cent of the group's members). The total external debt of these 18 countries is $28,820 million, or 17 per cent of Africa's external debt, 36 per cent of that of Africa south of the Sahara and 3.2 per cent of the total debt of the developing world. The concerns to which this situation gives rise are easily explained by the balance-of-payments difficulties and the decreases in capital flows (specially ODA). Trade balances affected by the deteriorating terms of trade, and the stagnation or even reduction of ODA, mean that the repayment of this debt can no longer be guaranteed, and the countries are not even in a position to meet the service payments. The prospects for assistance from both private investors and multilateral financial institutions are thus non-existent.

17. Faced with these natural disasters and this external payments crisis, the African LDCs have initiated a number of policies aimed inter alia at: (i) rehabilitating the main productive sectors; (ii) reducing vulnerability to external shocks; (iii) restoring the confidence of financing agencies by establishing major macro-economic equilibria, etc. Most of these countries have signed stand-by arrangements with IMF which, in order to avoid economic strangulation, are conditional upon the application of an economic and financial stabilization programme and/or a structural adjustment programme with the World Bank.

18. The first two objectives have been pursued by conducting inventories of energy and water resource potentials and exploiting them at the national level through participatory development programmes such as those put into effect in Cape Verde, Mali, Rwanda and Togo. At the subregional level, the African LDCs have speeded up the construction of community water storage and irrigation works, and at the same time, with the assistance of the European Economic Community and UNSO, they have drawn up national food strategies to protect their populations against the threat of famine.

19. The pursuit of the major monetary and financial equilibria seems to have taken precedence during the period under review over the effective revitaliz of production sectors and the improvement of social welfare. Indeed, almost all the African LDCs are implementing structural adjustment and/or economic and financial stabilization programmes with the support of the World Bank and the International Monetary Fund. The remedies called for under these programmes comprise, inter alia, (i) balancing public finances by reducing expenditures (eliminating non-essential subsidies, freezing recruitment and salary increases, withdrawal of the State from non-productive sectors, selective investment policies and broadening the tax base) and (ii) mobilizing national savings and promoting foreign exchange earnings sectors by instituting floating or dual exchange rates, devaluing national currencies and controlling prices.

20. These various measures applied by African LDCs, which had been specified as complementary to any external aid effort both by the Bank and IMF and by the principal potential donors, have proved to entail heavy social costs

and often conflict with the development priorities and strategies of the countries in question. They have enabled the countries which have pursued them to enter into the external debt rescheduling cycle, notably through the Club of Paris. The scope for these negotiations has been limited by the exclusion from the amounts re-scheduled of accumulated service payments, which have been inflated by the escalation of interest rates and gave rise to debt ratios which the African LDCs are unable to bear. It should, finally, be noted that while, during the period under review, the above measures proved effective in terms of balancing public finances, the same was not true of external payments, for capital flows were not generally commensurate with the current payments deficit.

C. Expenditure on GDP

21. Expressed in United States dollars at constant 1980 prices, the principal components in demand in the African LDCs taken as a group showed a certain reduction in their respective share in GDP in 1984 and 1985. Total final consumption, exports and imports decreased from the equivalent of 91.8 per cent, 20.2 per cent and 29.9 per cent of GDP respectively in 1983 to 91.7 per cent, 19.5 per cent and 25.4 per cent in 1984 and 19.9 per cent, 18.3 per cent and 24.3 per cent in 1985. Thus, the resource deficit fell from 9.7 per cent to 6 per cent of GDP, while the domestic savings rate improved slightly from 8.2 per cent to 8.8 per cent, with an average annual investment rate equivalent to 14.8 per cent of GDP. This contraction of demand and the promotion of domestic savings which occurred over the period are attributable to the voluntary steps taken to limit consumption (austerity policy initiated in the countries and decrease in real terms of available household income). Account must also be taken of external payments difficulties which made it impossible to expand imports, even of food, and led to a downward revision of investment.

22. The issue still remains at this level of the imbalances experienced by certain African LDCs whose propensity to consume remains very high. These are essentially the following countries, whose final consumption levels is close to or even higher than their GDP: Benin, Burkina Faso, Cape Verde, Djibouti, Guinea Bissau, Lesotho, Niger and Sao Tome and Principe. These countries, which also have relatively high investment rates, have thus also become more dependent on the outside world for the satisfaction of their requirements in terms of both consumer goods and capital goods.

D. Public finance

23. Except in three countries, namely Benin, Botswana and Burundi, the overall balance of African LDCs' general budgets has remained constantly negative. Estimates made for 23[2] of the 26 countries concerned give a deficit of

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[2] Benin, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Ethiopia, the Gambia, Guinea, Guinea Bissau, Lesotho, Malawi, Mali, Niger, Rwanda, Sierra Leone, the Sudan, Togo, Uganda and the United Republic of Tanzania.

more than $1702 million for 1984, corresponding to total revenue of $4196 million and expenditures of about $5898 million. These budget totals show a tendency to stabilize at the levels achieved in 1983. Reversing the trend to achieve a more favourable bdugetary situation has proved difficult despite the budgetary austerity policies and measures to balance finances applied by most countries. The reasons are as follows: (i) almost universal lowering of tax collection rates; (ii) increase in expenditures to meet the new needs resulting from the drought; (iii) poor economic performance which reduces the revenue from taxation on productive activities and foreign trade; (iv) the irreducible nature of certain operating and capital expenditures (a very heavy reduction in some of them would risk compromising growth potential); (v) the modesty of incomes which limits tax revenue; and (vi) the increase in expenditure arising from interest payments and loans which have reached maturity.

24. The deficits recorded over the period were financed largely by drawing on IMF and foreign banks and Governments. In countries where heavy drawing on national monetary institutions took place, this practice contributed to the occurrence of galloping inflation. This was the case particularly in Guinea, Sudan and the United Repulic of Tanzania.

25. The above financing difficulties resulted in an aggravation of the African LDCs' external debt situation. According to preliminary estimates, their total outstanding external public debt as of 30 June 1985 was around $30,934.2 million, giving a debt service ratio which exceeds the disturbing level equivalent to 25 per cent of export and goods and services. The African LDCs thus bear about 18.2 per cent of Africa's external public debt, and 38.7 per cent of loans contracted in Africa South of the Sahara. These different figures are the basis for the on- going negotiations both with the Club of Paris and the Club of London and bilaterally for a re-scheduling of the debt. However, these mechanisms for easing the burden will not be able to generate growth unless they are extended to interest payments arrears.

E. External trade and balance-of-payments

26. The overall balance-of-payments deficit of the African LDCs has been decreasing since 1981 at an annual average rate of 17 per cent, primarily because of a 4.3 per cent drop in imports together with an increase in exports by about 2.4 per cent. This has been achieved due to: (i) the maintenance of the restrictions on the granting of import licences, and of strict exchange control measures; (ii) the sharp drop in the level of external reserves in almost all countries; and (iii) export promotion achieved despite the fact that world prices became unfavourable in 1985 for the major export commodities, primarily by reducing the taxes levied on exports.

27. According to available estimates, the balance of trade deficit of the African LDCs decreased from $US5.16 billion in 1982 to $US2.77 billion in 1984, rising again to $US2.84 billion in 1985. Over the same period, the share of these countries in developing countries' trade remained stable at 1.3 per cent, while the group accounted for only 10 per cent of total African external trade. There was also an improvement in the rate of coverage of imports by exports, which rose from 55.6 per cent to 60.4 per cent between 1983 and 1985. The share of agricultural and livestock products fell from close to 74 per cent of export earnings in 1981-1983 to about 59.7 per cent in 1984-1985, whereas the share of mining products amounted to 12.4 per cent. Cofee, cocoa, tea, tobacco, timber, hides and skins, diamonds, uranium, phosphates, cassiterite and copper continued to be the main commodities exported by the African LDCs.

28. During the period under review, the worsening of the balance of services deficit by 21.7 per cent a year and the stagnation of unrequited transfers at an annual average of around $US2.74 billion a year, with a growth rate of only 0.02 per cent, led to a rise of 13.2 per cent in the current payments deficit, which rose from $US3.89 billion in 1983 to $US3.06 billion in 1984 and $US4.99 billion in 1985. The trend had been a downward one between 1981 and 1983, primarily because of an upward movement of unrequited transfers. The African LDCs' overall balance-of-payments, which in 1984 had recorded a lower deficit than in 1983 ($US1.23 billion as against $US2.02 billion), deteriorated in 1985 with a deficit estimated at $US1.47 billion, of which $US1.27 billion, or more than 86 per cent, was contributed by the Sudan. This deterioration followed a fall in that country's export earnings and net capital flows received.

Table 3

Balance of payments of the African LDCs
(Millions of $

	1981	1982	1983	1984	1985
Exports	7194.07	7509.22	8732.73	8333.49	7923.93
Imports	-13187.71	-1[illegible]69.73	-12079.67	-11109.70	-10773.06
Trade balance	-5993.64	-5[illegible].51	-3346.94	-2776.21	-2849.13
Balance of services	2740.18	-28[illegible]3.65-	-3310.61	- 3885.85	-4906.62
Balance of goods and services	[illegible]733.82	7994.16	-6 57.55	-6662.04	-7755.75
Net transfers	+2314.94	+2443.76	+2761.97	+2698.87	+2762.48
Balance of current payments	-5418.8	-5550.40	-3495.58	-3963.17	-4993.27
Net capital movements	+1816.82	+3224.11	+1872.02	+2730.32	+352[illegible]
Overall balance	-4602.[illegible]	-2326.29	[illegible]	-1232 5	-1466.11

Sources: National Statistics
Preliminary ECA estimates[a]

29. For 1985, the rate of deterioration in terms of trade for the African LDCs is estimated at 2.6 per cent, and the fall in the prices of export commodities other than oil at 10 per cent. The decreases were: 26.2 per cent for coffee; 4.2 per cent for cocoa; 34.6 per cent for coffee; 30.6 per cent for bauxite; 14.5 per cent for copper and 15.9 per cent for tin.

F. Sectoral performance

1. Agriculture and food

30. Agriculture, stock raising, hunting and fisheries suffered again in 1984 from drought, which set in even in countries where rainfall is normally abundant, such as Rwanda. As a result, the value added for the sector fell by 5.2 per cent in 1984, as against 2.2 per cent in 1983. This trend was reversed in 1985 with the return of normal rainfall in the African LDCs as a group. Accordingly, the growth rate of the rural sector for the latter year has been estimated at +4.8 per cent.

31. In addition to the natural disasters which hinder the development of the rural sector in the African LDCs, mention must be made of the obstacles of a structural nature, such as: (i) the low productivity of farming methods, which have remained traditional with a low level of mechanization and inputs; (ii) the inappropriateness of agricultural policies, characterized by low producer prices, absence of a drought early-warning system based on variations on harvests, lack of food reserves and migratory movements; (iii) the inefficiency of the collection and marketing networks, which allows a parallel market to flourish to the detriment of the official channels (iv) inadequacy of organization of the rural population for better soil conservation and more land use. Mention must also be made of the bush fires and civil wars which have paralysed certain producing regions. Thus, despite the agricultural production potential which exists, the extension of areas under cutlivation has been only 0.64 per cent a year.

32. the effects of these adverse factors have been particularly disastrous in the case of food crops. For the African LDCs as a group, food production is thought to have fallen in real terms by 1.32 per cent in 1984, with record decreases in Ethiopia (-12.2 per cent), Niger (-11.8 per cent), Lesotho (-10.8 per cent), Chad (-9.9 per cent), Burundi (-7.7 per cent) and Rwanda (-7.5 per cent). Per capita food production also decreased over the same period in all but six countries, namely Benin (+8.9 per cent) the Gambia (+8.4 per cent), Sao Tome and Principe (+3.8 per cent), the Central African Republic (+0.8 per cent), Cape Verde (+0.5 per cent) and Guinea (+0.3 per cent). This difficult food situation has accentuated the dependence of the African LDCs on imports, particularly of cereals, and food aid. Despite the return of rainfall to normal in 1985 the food situation was still declared critical in the following countries: Burkina Faso, Chad, Ethiopia, Mali, Niger, the Sudan, Botswana, Burundi, Cape Verde, Lesotho, Rwanda, Somalia and the United Republic of Tanzania. Food aid requirements have been estimated at $US778.8 million for the African LDCs, out of a total $US1043 million for the African continent as a whole.

33. The main consequence of this imbalance has been the diversion of substantial resources into emergency aid, to the detriment of the other productive sectors of the African LDCs. Survival needs thus took precedence over other economic and social development priorities.

Table 3

Agriculture sector in the African LDCs: food production trends
(growth rate in real terms)
1980-1984

Food Production				Per capita food production			
1980-1981	1981-1982	1982-1983	1983-1984	1980-1981	1981-1982	1982-83	1983-84
+4.60	+1.80	-0.14	-1.32	+1.80	-0.94	-2.95	-3.9

Source ECA
FAO

2. Manufacturing industries

34. These contribute 8.2 per cent to GDP formation. The situation of industry which is based essentially on agro-industries, has remained very dependent on (a) the trends in cash crop production and (b) the countries' capacity to import spare parts and certain raw materials. The African LDCs have not yet succeeded in overcoming the obstacles to their industrial development presented by the small size of national market, the shift in world demand towards industrial products from other developing countries, particularly in Asia; the interruptions in traffic resulting from border closures and the protectionist measures adopted by certain neighbouring countries, the capacity under-utilization of existing units, the lack of qualified personnel and the lack of cheap energy resources in the countries in question.

35. As a result, the value added by manufacturing industries in the African LDCs has undergone very erratic variations during the period under review. Its growth rate in real terms move from +6.5 per cent in 1983 to -6.1 per cent in 1984, and back to +2.4 per cent in 1985. The good performance in 1983 and the recovery in 1985 can be attributed to the good seasons for cotton, coffee and cocoa, products which do not seem to have suffered much from the various cycles of drought. Botswana, Burundi, the Gambia, Niger and Uganda remain the countries which have shown the best performance.

3. Transport, communications and trade

36. This sector is a strategic one for exploiting the natural resource and opening and expanding the agricultural sectors of the African LDCs. The exploitation of a good number of natural resources, particularly mineral resources, has had to be postponed because of the isolation which increases production costs and compromises the competitiveness of the products extracted. The deficiencies of the transport and communications infrastructures have become more apparent over recent years as the drought and the emergence of famine areas has claimed an increased number of victims because of the difficulties in distributing food aid. It should also be noted that the inadequacy of storage facilities and the difficulties of access to rural areas have increased post-harvest losses.

37. Apart from traditional transit countries such as Djibouti, the Gambia, Benin, Togo and the United Republic of Tanzania, the performance of the transport and communications sector has remained modest in all the other African LDCs, since shortage of resources has prevented investment undertakings in either new facilities or for replacement and maintenance purposes. This sector, which together with trade provides on average 41.9 per cent of GDP, recorded an average annual growth rate of 1.26 per cent over the period 1984-1985.

4. Other sectors

38. Extractive industry and the "water-electricity-gas" and "building and public works" sectors, with respective contributions of 3.7 per cent, 0.7 per cent and 2.8 per cent to GDP formation, experienced real growth rates of +9.4 per cent, +4.2 per cent and 0.6 per cent respectively. The performance of these three sectors was limited by their heavy dependence on imported inputs, the low import capacity of the countries concerned and the lack of a comprehensive inventory of available natural resources.

39. In the social sector, the African LDCs' efforts focused on meeting the essential health, education and employment needs of their populations. The resources mobilized for the development of this sector have been diverted in recent years to programmes of emergency assistance to victims of the drought. In countries with high population density, such as Rwanda and Burundi, the Government has initiated family planning programmes to ease the pressure on land. The problems remain, however, of involving aid partners in the various social programmes, since their preference is for directly productive sectors.

G. Arrangements made for the implementation of SNPA in the African least developed countries

40. The African LDCs have completed an important step in the implementation of SNPA. Between the programme's adoption and the 31 December 1985, 15 round tables[3] were organized with the exclusive co-chairmanship of UNDP, or of UNDP, the World Bank and IMF, as was the case in Togo. Four consultative groups were also organized under World Bank auspices for the following countries: Somalia, the Sudan, Uganda and the United Republic of Tanzania. For 1986, four round tables are scheduled for Burkina Faso, the Central African Republic, Niger and Sierra Leone, while Guinea has opted for a World Bank consultative group. The only countries which have so far not opted for either of the two forms of consultative meetings remain Botswana and Ethiopia.

41. These meetings, as well as strengthening project preparation and programming capacity, have enabled donors to discuss with national officials the various national development strategies adopted for the 1980s. They have revealed the following main problems: (i) the often ambitious nature of the investment programmes submitted in the light of the low absorption capacity of the African LDCs, in which the utilization rate of outside loans is rarely higher than 45 per cent; (ii) inadequately prepared projects to which donors cannot make firm pledges or contributions and lengthen the delays in the release of funds; (iii) the difficulties in reconciling donors' requirements with the LDCs' development priorities, etc. For these reasons, commitments entered into often become firm only after a large number of sectoral meetings. Finally, mention must be made of the current trends towards linking the support for investment programmes on the part of bilateral as well as multilateral financing sources to the implementation of a structural adjustment or economic and financial stabilization programme sponsored by the World Bank or IMF.

42. While national mechanisms for the implementation and follow-up of SNPA have been commensurate with the objectives set, the same has not been true of international support. Assessments made during the global mid-term review of SNPA in September/October 1985 show that aid flows are declining in real terms, especially in the case of ODA. Thus, in 1983, only four member countries of DAC[4] and five member countries of OPEC[5] reached and exceeded the target of allocating 0.15 per cent of their GNP as ODA to LDCs. These various trends show the precarious situation of the African LDCs, which form part of the lowest income group with the greatest need for external financing.

3/ In the following countries: Benin, Burundi, Cape Verde, Chad Comoros, Djibouti, Equatorial Guinea, the Gambia, Guinea Bissau, Lesotho, Malawi, Mali, Rwanda, Sao Tome and Principe and Togo.

4/ Denmark, the Netherlands, Norway and Sweden.

5/ Kuwait, the Libyan Arab Jamahiriya, Quatar, Saudi Arabia and the United Arab Emirates.

H. Development prospects

43. Despite this hostile environment, the African LDCs should recover slightly in 1986. With the continuation of normal rainfall and the current trend to rely primarily on their own resources, a positive growth of 3.5 per cent is estimated for 1986. The rural sector, manufacturing industries, extractive industries and building/public works should register growth rates of 4.8 per cent, 1.9 per cent, 2.7 per cent and 2.0 per cent respectively, while the domestic savings rate will decline slightly to 2.4 per cent with an investment rate of about 15.3 per cent.

44. The major constraints will continue to be: (i) the imbalance in external payments, which may deteriorate by almost 14 per cent with the drop in world prices of the principal export commodities and the falling trend of net capital inflows; and (ii) the heavy burden of the African LDCs' external debt. It thus appears essential for the industrialized countries to endorse the proposals for the rescheduling and even the cancellation of that debt, as a way of supporting the efforts made by the African LDCs at the national level.

COUNTRY PROFILES

BENIN

I. OVERALL GROWTH PERFORMANCE

45. Benin's economy recovered slightly in 1984 in terms of the three factors which hampered its development in 1983, namely: (i) the unfavourable economic environment, characterized by increasing heavy external indebtedness, very modest external resource flows and the very weak impact of the economic recovery initiated in the industrialized countries; (ii) poor climatic conditions which, as a result of inadequate and irregular rainfall, led to a drop in the main forms of agricultural production; and (iii) the sluggish state of the tertiary sector following the drop in export production and the closure of the border with Nigeria, the main source of supply for the export trade. Thus, in 1984 GDP at current factor costs is thought to have been about CFAF 444 billion, as against 375 billion in 1983, for a nominal growth of 18.4 per cent as against 8.4 per cent in 1983. This movement, which corresponds to a real growth of 5.3 per cent at 1980 prices, is the result of a rise in value added in real terms in the primary sector by more than 18.8 per cent and in the secondary sector by 17.4 per cent whereas in the tertiary sector it decreased by 5.2 per cent. According to available estimates for 1985, this effort does not seem to have been continued, for there appears to have a quasi-stagnation, in the event of recovery during the last four months of the year, or indeed a negative growth in GDP in real terms of the order of 3.1 per cent if the trend continued. There would also appear to have been a decrease in value added in real terms of 1.7 per cent for the primary sector, 6.7 per cent for the secondary sector and 3.3 per cent for the tertiary sector.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

46. Sectoral analysis of Benin's economy shows that the food and agriculture sector faced two types of major problems. The first, ecological in nature, relates to the inadequacy, irregularity and poor distribution of the rains, and is causing a disruption of the farming calendar, with increasingly late and wide-spaced sowing and a drop in yields. The second, socio-economic in nature, stems from: (i) inappropriate production methods, characterized by extensive and low-yield farming and low input utilization; (ii) inadequacy of the means of production and low availability of credit to meet expenses; and (iii) inaccessibility of production zones and inadequacy of basic socio-economic infrastructures (roads, feeder tracks, schools, clinics, etc.) which is leading to rural/urban migration.

47. Faced with this situation, the Government has initiated a number of integrated development projects in order to bring about an increase in productivity while ensuring remunerative producer prices and simplifying distribution circuits by cutting out middle-men. However, the low level of State revenue has led it to opt for a selective pattern of assistance to rural society, with support being extended to strategic products in priority regions.

48. Manufacturing industry has faced problems in marketing, aggravated by the small size of the domestic market, in raw materials supply, and in balancing production costs, as well as internal financial problems. Thus the SONICOG factories are operating well below capacity because of the difficulties in the supply of oilyielding products (palm nuts, ground nuts, karite), while SCB and SONACI are operating at a loss because they are obliged to obtain their clinker supplies from SCO at a cost per ton CFAF 2000 higher than imported clinker, and this margin is not reflected in the producer prices paid where finances are concerned, fixed charges have increased for manufacturing industry as a whole, largely because of the high cost of energy products, declining working capital, and heavy indebtedness which has restricted access to the increasingly limited amount of bank credit available.

49. To ease these constraints, the Government has drawn up a plan designed to promote the recovery of the various enterprises. This plan, which aims at revitalizing production, provides *inter alia* for consolidation of the debts incurred, increases in working capital, raising of overdraft ceilings, an open-door policy towards markets in the subregion and guaranteeing remunerative producer prices.

50. The services sector has been adversely affected by (i) degradation of physical infrastructures (particularly roads) and the age of the transport equipment and (ii) the protectionist measures taken by certain neighbouring countries in respect of trade. It has, however, benefited from the resources derived from the recently introduced tourism development tax and from the admission of foreign hotel chains.

51. Where public finance is concerned, the State's resources have been constricted by the drop in re-export trade and the low rate of revenue collection. This has led to a down ward revision of investment programmes and a freeze or even cuts, in public-sector staffing. The external sector, for its part, has remained exposed to the vagaries of the agricultural situation. It has, however, profited from the good seasons recorded in 1984 and from the measures to balance foreign trade taken in the same year.

III. EXPENDITURE ON GDP

52. The movement of demand shows that total final consumption has stabilized at a level close to that of the GDP, with the savings rate expressed as a percentage of GDP varying from 1.5 to 1.9 per cent between 1980 and 1984. However, capital formation has remained high, with an average investment rate of about 23 per cent over the same period. Thus the low domestic self-financing capacity of Benin's economy has resulted in extensive resort to foreign sources for more than 93 per cent of the investments made. The contraction of final demand and the decrease in incomes as a result of the protectionist measures enacted by certain neighbouring countries have resulted in a stabilization in the resource deficit at an annual average of about 22 per cent of GDP.

IV. PUBLIC FINANCE

53. Analysis of trends in Benin's budget shows a constant decrease in public finances over the period 1982-1984, with the tax collection rate falling from close to 92 per cent to only 57 per cent, corresponding to a decrease in revenue from about CFAF 44 billion in 1982 to CFAF 32.2 billion in 1984. This trend is attributable to a fall in the two main sources of the State's income, mainly customs duties and tax revenue. The former suffered from the quotas introduced by certain neighbouring countries and the decrease in traffic volume at the autonomous port of Cotonou to the benefit of competing ports in the Gulf of Guinea; the customs duty collection rate fell constantly from 51.7 per cent in 1982 to 25.1 per cent in 1984. The latter was affected by the decreased turnover of both public and private companies and the difficulties experienced in disposing of stocks of commodities intended for re-export. The low coverage of expenditures had led the authorities to enact a series of corrective financial laws over the period, revising expenditures downwards by more than 31 per cent, and in 1984 including no expenditure under the capital goods budget.

54. Thus the surplus balance of CFAF 9.4 billion recorded in 1982 is only an apparent one, just as for 1983 and 1984 the budget deficits of CFAF 0.3 billion and 6.1 billion appeared to understate the difficulties of the State's financial position. Estimates for 1985 predict a slight recovery, with a CFAF 3.1 billion surplus resulting from an improvement in customs duties levied in 1985 on stocks of commodities not sold in 1982 and 1983 which were marketed in 1984.

55. Benin's external debt reached unsustainable proportions in 1984 and 1985; the total outstanding was estimated at CFAF 276 billion on 31 December 1984 and was expected to rise to CFAF 315 billion in 1985, resulting in a debt service of the order of CFAF 35 billion, or about 65 per cent of export earnings, whereas resources derived from the special amortization tax have reached a ceiling at CFAF 7.5 billion. This disturbing situation explains why negotiations are currently under way to reschedule the term of the debt.

56. On 31 December 1984, net foreign assets totalled CFAF 32.9 billion and domestic credit CFAF 142.1 billion (13.1 billion to the Government and 129 billion to the economy) as against CFAF 32.7 billion and 132.3 billion respectively in 1983. The money supply increased annually by an average of 14.2 per cent, from CFAF 71.2 billion to CFAF 106.1 billion between 1981 and 1984. The deterioration in the Government's net position results from the State's cash difficulties, which have led it to draw on its credit with the banking system, especially with the Central Bank, which has often been called upon for external payments. The stabilization in the amount owed to the economy may be attributed to the slow down in economic activity. With the exception of the operating account balance, the other monetary aggregates seem to have evolved positively in 1985.

V. EXTERNAL TRADE BALANCE OF PAYMENTS AND EXTERNAL DEBT

57. External trade has been adversely affected by (i) the lack of diversification both in the structure of exports, which consist exclusively of agricultural products (cotton, palm oil and cocoa) and in their destination, which for the most part has been the EEC countries; and (ii) the protectionist measures adopted by Nigeria, which has paralysed border trade, reduced imports and led to the abandonment of certain development projects. Because they comprise predominantly agricultural products, exports have matched the agricultural situation with record levels of CFAF 28 billion and 53.6 billion in 1984 and 1985 respectively, as against CFAF 14.0 billion and 11.7 billion in 1982 and 1983 respectively. This upward trend is attributable to the good cotton seasons and an increase in SONICIG's sales following a rise in world prices for vegetable oils.

58. Imports, of which more than 63 per cent consist of consumer goods, reached a level of CFAF 1.64 billion in 1982 and then fell by 24 per cent a year between 1982 and 1984 to a figure of CFAF 90 billion at the end of the period. This situation is attributable to the difficulties experienced by the re-export trade since April 1982.

59. Thus a decrease of about 34 per cent in the balance of trade deficit took place between 1982 and 1984. At the same time, the rate of coverage of imports by exports improved, rising from 9 to 31 per cent. Available statistics for the first nine months of 1985 show a marked rise in both imports and exports.

60. The structural imbalance in external payments recorded between 1981 and 1983, when the overall balance-of-payments deficit rose from CFAF 11 billion to more than CFAF 19 billion, was corrected in 1984. This was the result of the reduction in the current payments deficit from CFAF 34 billion to CFAF 26.4 billion following the rise in exports to more than double their value, a moderate increase in imports (+15.3 percent) and the favourable response to the appeal made to the international community, which made unrequited transfers of CFAF 32 billion, as against CFAF 25 billion in 1983. Over the same period net capital movements, which amounted to CFAF 22 billion, made it possible to reduce the overall balance of payments deficit to CFAF 4.3 billion in 1984. Thus there was a fairly clear movement towards the objective of balancing external trade which was adopted in 1984 and is expected to have been attained in 1985, for which a balance of payments surplus of the order of CFAF 6.5 billion is forecase.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

61. More than 70 per cent of Benin's population is active in the food and agriculture sector, whose contribution to GDP was stable at about 48 per cent in 1984 and 1985, as against 43 per cent in 1982 and 1983. The factors determining the situation in this sector have been the irregularities of rainfall for food crops. the increasing age of the plantations for cash crops, particularly oil products, the low level of investment and the delay which occured in the implementation of certain integrated development projects in the fields of stockraising, fisheries and forestry.

62. These factors led to a very erratic pattern of agriculture production, which after increasing in real terms by 1.2 per cent in 1982 fell by 4.7 per cent in 1983 and then rose again by 29.4 per cent in 1984. Forecasts for 1985 are for a rate of increase of about 12.4 per cent. These increases are much more marked in the case of food crops than cash crops. Cereals production, which is dominated by maize and sorghum, stagnated in 1983 and then increase by 34.5 per cent in 1984 to 456,000 tons, whereas tuber production (cassava and yams) was 21.3 per cent higher in 1984 than in 1983, rising to 1.5 million tons. Of the cash crops, only cotton underwent any appreciable expansion, inter alia because of the implementation of major integrated development projects in the Borgou Zou and Atacora regions. Cotton production, at 88,000 tons, was almost 98 per cent higher in 1984 than in 1983, whereas the output of oil bearing products (oil palm products and Karite) fell substantially (-60 per cent over the same period).

63. The upward trend in stock raising since 1978 continued during the period under review, with annual increase rates of 2,3,5 and 15 per cent respectively for cattle, sheep and goats, pigs and poultry. Over the same period, the shortfall in fisheries products placed a heavy burden on the trade balance, occasioning an increase of almost 36 per cent in frozen fish imports.

64. The situation with regard to the 1985 season appears disturbing but not alarming. Because of the late arrival of the rains in the main production areas, as well as the water-table levels and the number of days rain recorded, the proportion of arable land fit for cultivation has been low, ranging between 13.3 per cent for sorghum and 57 per cent for cassava. Only yams, with 80 per cent, are an exception to this rule. This shows the strong dependence of the rural sector on weather conditions.

B. The industrial sector

65. This sector was somewhat sluggish in 1984, despite the dynamic performance of the extractive industries (oil with SAGA PETROLEUM and clinker with SCO both doubled their value added) and the increase of 67.3 per cent in sales of oil palm products by SONICOG following a rise in export prices. The crisis the sector is experiencing can be attributed to: (i) difficulties in raw materials supply because of the widespread fall in agricultural output for industry;

(ii) the delay in the implementation of projects relating to support infrastructures for the industry sector; (iii) the heavy burden of production costs (overstaffing and the high cost of energy products); (iv) the financing problems of the main units reduction of working capital and substantial medium-term and long-term indebtedness); and (v) the scarcity of outlets (the small size of the domestic market, the closure of the borders with the main transit country, Nigeria, and the protectionist measures adopted by most neighbouring countries). Thus, along with an increase in its contribution to GDP formation, which rose from 4.9 per cent in 1980 to more than 10 per cent in 1984, the industry sector experienced negative growth in real terms of the order of -1.2 per cent in 1984.

C. The services sector

66. This sector, comprising trade, transport and communications and tourism, experienced difficulties in 1984 linked to: (i) difficulties in controlling domestic prices owing to the ease of passage of the national frontiers, which makes for flourishing parallel markets; (ii) the imbalances in foreign trade; (iii) the age of the existing infrastructures; and (iv) the barriers erected by certain neighbouring countries. Its contribution to GDP fell from 34 per cent in 1982 to 29 per cent in 1984, in which year it experienced a growth rate of close to 6 per cent.

D. The social sector

67. Employment problems remained very acute in Benin because of the population explosion - an annual growth rate of 2.7 per cent - the low absorption capacity of the structured sector, which employs only 5.4 per cent of the economically active population, the restrictive recruitment policy applied in recent years, the decrease in migration to neighbouring countries and the poor dispersal of informal sector activities throughout the national territory. This situation is accentuated by a severe imbalance between training and employment.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

68. Benin organized a donor's round table from 28 February to 4 March 1983. The programme submitted to the meeting covers the period 1983-1987, and comprises investments estimated at CFAF 600 billion. Promises of assistance made amounted to CFAF 188 billion, or 31.3 per cent.

69. The most recent figures available for development assistance flows since the organization of the round table show constantly increasing totals both for bilateral aid, which was CFAF 10.8 billion in 1984 and 12.1 billion in 1985, as against CFAF 9 billion in 1983, and for multilateral aid, which rose from CFAF 3.9 billion in 1983 to 4.6 billion in 1984, and then to CFAF 4.9 billion in 1985. In all, the development assistance received by Benin increased by 14.7 per cent a year between 1983 and 1985. The main donors of bilateral aid were France and the Federal Republic of Germany, while the multilateral transfers came essentially from the European Development Fund - more than half- and from United Nations organizations such as UNDP, WFP and UNICEF.

VIII. DEVELOPMENT PROSPECTS

70. The prospects for 1986 are not very good. Unless the trend is reversed, a negative growth in real terms of GDP (at factor costs) of the order of -3.6 per cent can be expected. The reasons are the stagnation of the value added by manufacturing industries because of the delay in implementing the major restructuring measures (launching of the Save Sugar Company and the Bohicon Maize Complex, provision of the resources needed to increase operating funds). Among the obstacles must also be included the late arrival of the 1985-1986 rains, which is expected to lead to a decrease in value added in the food and agriculture sector of about 3.4 per cent, while the tertiary sector is expected to grow by about 5.7 per cent.

71. The recovery of foreign trade which began in 1984 and was attained in 1985 is expected to continue in 1986. The type of development policy initiated in Benin, which involves mass participation in the nation-building effort, means that the country has extensive potential for recovery if international support continues its rising trend.

BOTSWANA

I. Overall growth performance

72. Unlike the years 1980/81 and 1981/82 when the Botswana economy experienced negative growth rates of 4 and 10 per cent respectively, the latest national accounts figure show that real GDP grew by 17, 13 and 12 per cent in 1982/83, 1983/84 and 1984/85 respectively. The recovery of the economy in the last three fiscal years is mainly attributable to improved performance in the mining sector resulting from an upturn in the diamond market and increased exports as the Jwaneng mine began production. Mining's contribution to GDP has increased from under 5 per cent in 1970 to a level of over 30 per cent making the sector the single largest component of GDP by kind of economic activity.

73. Botswana has a strong external economic position with foreign reserves at end-1984 estimated at P737 million, an equivalent of about 8 months imports. Estimated current account surplus stood at P76 million and a balance of payment surplus of P165 million in 1984.

74. The rate of price inflation in 1982 was 12.7 per cent but declerated further to 8.3 and 6.5 per cent in 1983 and 1984 respectively. However, the inflation rate has escalated to around 9.4 per cent as of June 1985 which is attributable to the sharp rise in import costs.

II. Major development problems and policies

75. Two features of the Botswana economy, its openness and the dominance of the export-oriented mineral sector, render it vulnerable to external shocks. Because imports account for 60-80 per cent of domestic expenditure, external inflationary impulses exert a strong influence on domestic prices as has been reflected in the currently excalating inflation rate of 9.4 per cent due to increased prices of imports in dollar terms from South Africa. Un employment is rampant as 31 per cent of the potential labour force (aged 15-64 who are not in school) were not engaged in gainful activities. The susceptibility of Botswana to prolonged periods of drought has engendered a slump in reel agricultural output from a high of P98.7 million in 1973/74 (constant 1979/80 prices) to P58.4 million in 1982/83.

76. The sixth National Development Plan (NDP-VI) - 1985-1991 - places increased emphasis on employment creation and the diversification of economic activity so as to reduce the country's dependence on the mining sector. The Plan envisages

creating 11,500 jobs a year in both the formal and informal sectors. The Government is considering redrafting the existing investment incentive packages to make it more attractive for potential investors, in line with the financial assistance programme (FCP) introduced in 1982 specifically to promote investment in labour-intensive small-scale enterprises. The agriculture potential will be tapped as a way of reducing the country's dependence on food imports. The Government initiated a national food strategy in 1984 to boost production and to increase the country's stock of emergency food reserves. The arable land development programme (ALDEP) which finances 85 per cent of small farmers' requirements will continue.

III. Expenditure on GDP

77. The structure of domestic expenditure on GDP in 1983/84 indicates a 19 per cent increase in public consumption over the 1982/83 level although as a proportion of GDP it dropped from 27.4 per cent to 26.3 per cent during this period. The share of private consumption in GDP which was around 55 per cent in 1982/83 remained near that level in 1983/84. There was a decline in stocks in 1983/84 arising from a reduction in the national cattle herd. Gross fixed capital formation declined from P320.3 million in 1982/83 to P270.9 million in 1983/84.

IV. Public finance

78. Having recorded three successive years of budget deficits, the overall budget for 1983/84 and 1984/85 showed a surplus of P107 and P193.9 million respectively. The original budget for 1984/85 fiscal year estimated total revenue of P648.8 million but the preliminary actuals for the same year already show an increase of P137.6 million or total revenue and grants of P786 million. The upsurge in total revenue receipts came as a result of increased mineral revenue and the revaluation gains of the Pula by 5 per cent in July 1984. In 1984/85 budget year alone mineral revenues accounted for 52 per cent of total revenue.

79. In the budget speech for 1985/86 the Minister of Finance and Development Planning underscored the need to diversify the revenue base in the long-run and to improve the efficiency, adequacy and equity of the tax collection system particularly in cattle farming in the short-run. In the Income Tax Amendment Bill for 1985 certain changes regarding livestock farming, the taxation of married women and the operation of the Pay-As-You-Earn Scheme for employees were made. With regard to livestock farming provisions, for a further simplification of the basis of livestock valuation were introduced. The requirement that the value of certain working animals (such as donkeys) be included in stock is to be discontinued.

80. The actual expenditure and net lending stood at P455 million in 1983/84. Against a budgeted expenditure of P604 million in 1984/85, the preliminary actuals for the same year show decline in expenditure to P592 million.

V. External trade, balance of payments and external debt

81. Botswana recorded a trade surplus of P136 million in 1984 compared to a modest surplus of P27.5 million in 1983. The up-surge in the trade account came as a result of a 14.5 per cent increase in the US dollar value of diamond exports which rose from US$421 million in 1983 to US$482 million in 1984. A 14 per cent depreciation in the average rate at which the proceeds from diamond export were converted into pula contributed to improve the merchandise account. An 11 per cent appreciation in the average Rand/Pula exchange rate also had the effect of reducing the Pula cost of imports.

82. Unlike the merchandise accounts, however, the services component registered a negative balance of P162.7 and P202.9 million in 1983 and 1984 respectively. Increases in remittances of profits and dividends and accrued interest contributed to the deterioration of the invisible trade account. The large trade balance recorded in 1984 lifted the surplus on the current account from a mere P2 million in 1983 to P64 million in 1984. The relatively modest capital inflows registered in 1983 and in 1984 resulted in an overall surplus of P153 million in 1984 compared to P138 million in the previous year. Overall, a balance of payment surplus of P165 million was recorded in 1984.

VI. Sectoral performances

A. Food and agriculture

83. Real agricultural GDP stagnated at P57.6 million and P57.4 million in 1982/83 and 1983/84 respectively. The year 1984 was the third successive year of severe drought conditions throughout Botswana. The livestock mortality rate increased from 16 per cent in 1983 to 18 per cent in 1984.

84. Domestic food production suffered a major set-back in the 1983/84 crop year when 16 per cent less land was planted than in 1982/83. Out of the hectarage planted only 30 per cent was harvested. Total production of the major crops-viz-sorghum, maize/millet, beans/pulses - totalled 7,300 metric tonnes - less than half of the poor harvest of the previous year and only 13 per cent of the output from the last normal harvest year-154,300 tonnes-in 1981. The shortfall in production was met by massive amount of food imports and assistance from outside sources. The prospects for 1984/85 crop season are not bright either although fair to good late rains have been reported in a few parts of the country.

85. Meanwhile, the Botswana Meat Commission throughput increased slightly in 1984, from 234,000 head in 1983 to 239,000 in 1984. However, a combination of circumstances affected the financial returns of the Commission. The average cold dress weight dropped per animal as a result of the poor condition of animals after three years of drought.

86. The recurrnce of drought condition in the last decade has become a serious cause for concern. Consequently, the establishment of a permanent institutional machinery to ensure the country's long-term response capacity to the effects of the drought, including rising levels of malnutrition and food imports has become urgent than ever. In response to this needs, a National Food Strategy was formulated in 1984 whose main objective is to increase food production from both dryland and irrigated farming, and to build up the Strategic Grain Reserve to an adequate level.

B. Mining

87. The mining sector which was in doldrums in 1980/81 and 1981/82 picked strength and increased from P462.6 million (at 1979/80 constant prices) in 1982/83 to P616.5 million in 1983/84. Performance in the diamond mines was more than satisfactory and production rose to 12.9 million carats in 1984 which represented an increase of 20.6 per cent over the previous year. The increase in output was largely due increased production at the Jwaneng mine from 5.9 million carats in 1983 to 7.5 million in 1984. Nickel-copper mate production increased from 48,000 tonnes to 52,000 tonnes while coal output remained at 395,000 tonnes over the period.

88. The world diamond market remained weak which in effect suggests that the increased production performance has not been reflected in substantially improved financial receipts. Diamond sales by the Central Selling Organization were virtually unchanged at a level of US$1,610 million in 1984 compared to US$1,599 million in 1983. Sales were strong at US$945 million in the first half of 1984 but fell to US$665 million in the second half of 1984. The disappointing performance of the depressed sales can partly be attributed to the sharp rise in the US dollar, which is the currency in which transactions take place, and its restraint on demand.

VII. Implementation of the Substantial New Programme of Action

89. Botswana's Ministry of Finance and Development Planning is the national focal point for the follow-up and monitoring of the SNPA. The Government had opted for a UNDP Roundtable meeting with donors and when it is held, the Sixth

National Development Plan (NDP-VI) - 1985-1991 - will be submitted along with a Public Investment Programme. The net inflow of concessional assistance to Botswana has been on the decline since the peak level of 1980: US$104 million; in 1981, it was US$97 million and in 1983 - US$101.5. On the other hand, borrowing on concessional terms is expanding adding about US$18 million to the net inflow of external resources in 1983.

VIII. Medium-term prospects

90. The rapid growth and sustained development attained since independence has been facilitated by mineral deposits. These have provided an impetus to growth and employment during the construction phase, and provided significant levels of government revenues, barbed by foreign exchange reserves. These revenues have allowed a rapid growth in government expenditure on infrastructure and services, directly and indirectly stimulating economic activity and employment.

91. During the NDP-5, Botswana's development strategy was mainly based on mineral deposits. However, the projected performance of the economy over the next six years will depend on what happens in sectors like manufacturing, agriculture and commerce. The National Development Plan-6 (April 1985 to March 1991) has already been launched. The Government's planning objectives and strategy are based on four national principles: democracy, development, self-reliance and unit. Related to these principles are the four main planning objectives: rapid economic growth, social justice, economic independence and sustained development. In NDP-6, as in NDP-5, priority will be placed on productive employment creation and rural development. Real GDP growth is expected to average about 4.8 per cent annually during NDP-VI plan period.

BURKINA FASO

I. OVERALL GROWTH PERFORMANCE

92. It is difficult to conduct a quantitative analysis of the economy of Burkina Faso for the period 1984-1095 because from October 1984 to December 1985, the country was undertaking a people's development programme which was expressly not defined as the first instalment of a classical programming exercise with a forward-looking plan comprising rationally quantified growth and development targets. However, on the basis of available indicators, the country continued to suffer from the adverse effects of insufficient and irregular rainfall from 1982 to 1985 which led to a deterioration in the food situation.

93. The GDP growth rate in 1984 was negative in real terms (-0.9 per cent) even though it was better than the 1983 figure of -4.1 per cent and occurred despite a strong subsidence of inflationary trends. The 5.7 per cent rate said to have been recorded in 1985 should be treated with great caution and should be viewed particularly in the context of the disastrous performance of 1983, the near-stagnation of 1984 and the good rains which fell in 1985. Overall, GDP at 1980 prices rose from CFAF 253.7 billion to CFAF 268.2 billion in 1985 respectively. Over the period 19811985, the mean annual growth was only 0.3 per cent, reflecting an annual decline in per capita income of about 1.8 per cent. Apart from the agriculture-forestry-fisheries sector which recorded negative growth in 1984, all the main sectors of Burkina Faso's economy have been very dynamic, recording annual growth rates ranging from 5.1 to 7.0 percent in 19841985 at the same time as the balance of trade deficit continued to decline.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

94. The main obstacle to the development of Burkina Faso is the fragile nature of the rural sector which is the country's driving force. Rural areas are exposed to: (i) the vagaries of the weather; (ii) the inadequacy of farming techniques particularly those used in growing food crops; (iii) the over-exploitation of the more fertile production zones; and (iv) the under-equipment in basic socio-economic infrastructure such as schools and clinics. This makes it difficult to stem or even to control rural-urban drift. The country thus continued to show a substantial food deficit, while the access to drinking water, particularly in rural areas, remained tenuous.

95. Ambitions have remained modest because even in cases where needs have been identified, resources have not been sufficient to cover the investments required for a lasting revitalization of economic activity. Because incomes have remained low and the country's land-locked situation adds to the costs of imports, it has still not been possible to broaden the taxation base.

96. In the face of these imbalances and taking into account the ready capital constituted by the labour force, the Government worked out for 1984 and 1985, a number social restructuring and economic recovery policies within the context of the people's development programme. This programme, which aimed at meeting

the basic concerns of the rural and urban masses (food, water supply, housing improvement and the installation of basic socioeconomic infra-structures) has been costed at CFAF 160.7 billion, more than 80 per cent of which would be financed from external sources. The specific feature of the programme lie in its decentralized nature, the basic programme at the province level being implemented by the peasants themselves with support programmes initiated by the central government, as are major projects of national interest, and in effective mass participation at all stages of project identification, selection and implementation.

97. This mobilization and extension effort seems to have begun to bear fruit to the extent that citizens have paid their taxes, thereby significantly improving the State's revenue. Similarly, cash crop production has made a substantial leap, improving trade with the outside world and at the same time giving a boost to manufacturing industries. Plans have also been made to erect anti-erosion sites, to set up grain banks, to build more than 200 water retention systems and about 100 dams, and to extend distribution circuits by constructing markets and installing storage facilities.

III. EXPENDITURE ON GDP

98. During the period 1980-1985, consumption constantly remained higher than GDP, and the decline in final consumption noted in 1983 and 1984 gave way to an increase of 24 per cent in 1985. Resource constraints thus persisted, because imports were observed to decrease during the same period. The reduction in the savings deficit which began in 1983 continued into 1985: Expressed as a percentage of GDP at 1980 prices, the deficit fell from 19.5 per cent in 1983 (or CFAF 49.9 billion) to 13.7 per cent in 1985 (or CFAF 36.7 billion). This manifest effort to mobilize domestic resources was not reflected in fixed capital formation; the investment rate fell from 8.2 per cent in 1982 to 4.8 per cent in 1985.

IV. PUBLIC FINANCE

99. The budget situation in Burkina Faso was very favourable in terms of revenue collection, with the collection rate rising to 91.4 per cent between 1983 and 1985. On average, tax revenue accounted for 92.1 per cent of total revenue and increased by 8.1 per cent per year. However, with current expenditures increasing by 10.1 per cent per year under the pressure of staff costs, a persistent deficit in current budgetary transactions was recorded: CFAF 1.7, 0.9 and 3.1 billion deficit in 1983, 1984 and 1985 respectively as compared to surpluses of CFAF 5.6, 4.1 and 0.9 billion in 1980, 1981 and 1982 respectively. These successive deficits ate into capital expenditure, which declined 32.3 per cent in 1984 to rise by 26.1 per cent in 1985. Overall, the regular budget deficit, which was reduced from CFAF 7 billion in 1982 to CFAF 3.2 billion in 1984 is likely to amount to CFAF 6 billion in 1985. It should be noted that the public treasury benefits from some external funding has made it possible to cover on average 83 per cent of the regular budget deficit. However, such external assistance has fluctuated very widely.

100. The monetary position declared on 31 December of each year shows a leap in the level of net foreign holdings of the monetary institutions, whose balance was constantly in the red from 1980 to 1982 and came back into the black with CFAF 5.6 billion, 24.4 billion and 33.8 billion in 1983, 1984 and 1985

respectively. This turnabout and its gathering momentum at the end of the period resulted from the strong increase in export earnings, particularly from cotton and shea butter. Domestic credit constantly declined by 3.8 per cent per year from 1982 to 1985, and probably amounted to much the same in 1985 as it was in 1984 (about CFAF 68.7 billion). Overall, the increase in net external holdings resulted in an increase of 15.7 per cent in money supply during 1984 and of 2 per cent in 1985 with an increase in bank deposits of about 18.4 per cent.

V. EXTERNAL TRADE, BALANCE-OF-PAYMENTS AND EXTERNAL DEBT

101. From 1983 to 1984, exports increased from CFAF 21.7 billion to CFAF 30.5 billion. However, difficulties in collecting surplus shea butter production reduced the figure to CFAF 29.2 billion in 1985. The decline in export earnings from livestock products continued during the period, mainly because of the quotas applied at certain border markets. Exports continued to be dominated by cotton (64..6 per cent) and shea butter (15.1 per cent). During the period under review, there was a shift in export destination from member countries of the European Economic Community towards the Asian countries.

102. Imports constantly decreased from 1982 to 1985, from CFAF 114.0 billion to CFAF 94.7 billion. This result was achieved through strict control of the main import items, achieved by stabilizing the value of food imports, which accounted for 19.3 per cent of the total - mainly by reducing the average prices of these items, which consisted for the most part gifts and foreign aid- cutting back on oil imports and maintaining goods imports at their 1983 level.

103. The overall trade deficit was reduced from CFAF 71.4 billion in 1984 to CFAF 65.5 billion in 1985, as compared to CFAF 87.8 billion in 1983. At the same time, the rate of coverage of imports by exports significantly improved, from 19.8 per cent in 1983 to 30.9 per cent in 1985. The overall balance of external payments was positive in 1984 and 1985, although the margin decreased from CFAF 18.8 billion to CFAF 12.5 billion. This favourable situation was brought about through: (i) a reduction in the trade deficit of 20.6 per cent in 1984 and 10.4 per cent in 1985 and (ii) a decline in the services balance of deficit from CFAF 43.3 billion to CFAF 39.4 billion. Trade with the outside world benefitted from the price stability of the main commodities exported by Burkina Faso, the rising value of the United States dollar and the resumption of mineral exports, primarily gold from Poura.

104. The goods and services balance deficit was largely absorbed by unrequited transfers, which amounted to CFAF 93.7 billion in 1984 and to about CFAF 104.1 billion in 1985, reducing the current payments deficit from CFAF 18.8 billion in 1983 to CFAF 4.4 billion in 1984 only to rise again to CFAF 15.6 billion in 1985. Net capital transfers suffered from the slackening of economic activity and the downward revision of the investment programme, but should regain their momentum with the implementation of the people's development programme which seems to have mobilized a substantial volume of external financing.

105. The outstanding external public debt of Burkina Faso as of 31 December 1984 was estimated at CFAF 231.6 billion as agaist CFAF 172.1 billion one year earlier. Debt services amounted to CFAS 8.7 billion (or 14 per cent of exports of goods and services) as against CFAF 6.8 billion or 11.3 per cent of the same exports in 1983. The estimates for 1985 showed an increased of 21.4 per cent in the outstanding debt and of 17.7 per cent for debt servicing, or CFAF 281.2 billion and CFAF 10.3 billion respectively. The debts contracted with the outside world rose from CFAF 279.3 billion to CFAF 367.3 billion and then to CFAF 445.6 billion in 1983, 1984 and 1985 respectively, with a mean annual recovery rate of about 62.4 per cent.

106. The main creditors for the period were (i) at the multilateral level: the World Bank group (32.1 per cent of the total outstanding debt), the African Development Bank (9.6 per cent), the OPEC fund (7.8 per cent), IMF (6.2 per cent) and the European Investment Bank (5.5 per cent); (ii) at the bilateral level: the caisse centrale de cooperation economique (15.3 per cent of the total outstanding debt), the People's Republic of China (3.1 per cent) and Algeria (1.4 per cent). It should be noted that the shares of the loans coming from bilateral sources (22.7 per cent) and from multilateral sources (77.3 per cent) have been relatively stable.

VI. SECTORAL PERFORMANCE

A. Food and Agriculture

107. The effects of the deterioration of climate in conditions on agricultural production have varied with the type of crop. Cereals output, composed essentially of rain-fed crops, declined by 4.8 per cent in 1983-1984 and remained almost stagnant in 1984-1985 (-0.5 per cent) at 1,138 thousand tons approximately. Apart from millet and sorghum, maize and paddy rice showed an upswing in 1984-1985 with production rising by 6.9 per cent and 115.6 per cent to 77 and 41 thousand tons respectively as compared to 1983-1984. This should help offset to some extent the cereal deficit, estimated at 117,700 tons for the 19831984 farming season.

108. With regard to cash crops, the pattern has been relatively favourable except in the case of groundnuts and sesame seeds. The good cotton crops recorded can be attributed to the improvement of farming techniques (intensification of phytosanitary treatments and the use of fertilizer having made it possible to extend the amount to cultivated land) and to the rise in producer prices of more than 12.9 per cent. It was noted that the favourable growth cycle of shea butter led to some difficulties in collecting excess production in 1984. Production of shelled groundnuts, cottonseeds, shea butter and sesame seeds, which in 1983 had been 0.5, 79.3, 66.7 and 3.7 thousand tons respectively, amounted in 1984 to 1.2, 85.6, 54.3 and 4.5 thousand tons.

109. During the period under review, the process of reconstituting the livestock population continued for all species with the exception of pigs, which declined by about 9 per cent because of over-exploitation. As a whole, the rural sector

contributed on average 44.6 per cent of annual GDP and recorded a growth rate rising from-5.5 per cent in 1984 to 5.1 per cent in 1985.

B. Industrial sector

110. The situation in this sector is closely linked to that of the agricultural sector, because it is dominated by small-scale establishments for processing produce from the rural sector and by cotton ginning plants. These latter increased their production of cotton fibre by a remarkable 31.5 per cent in 1982-1983 and by 8.3 per cent in 1984-1985. Sugar production decreased 5 per cent, mainly because of difficulties in securing sugar cane supplies.

111. The contribution of the industrial sector to GDP remained stable at 14.7 per cent during 1984-1985, but was expected to increase with the coming into effect in August 1984 of the new investment code whose clauses have, among other things, brought about a significant resumption in mineral production (gold from Poura). Following the situation in agriculture, industrial value added declined by 2.3 per cent in 1984 to increase by 6.1 per cent in 1985. The main impediments to the development of this sector are insufficient markets, the difficulties in the supply of raw materials and the energy, which increase production costs, and the low level of investments in the sector.

C. Other sectors

112. Contributing 1.3 and 2.5 per cent of GDP respectively and increasing at the rate of 2.9 and 6.3 per cent, the water-electricity and buildings-public works sectors made modest progress during 1982-1985. This was because of difficulties in importing energy products and building materials (inadequate foreign exchange reserves and high cost of transport because the country is land-locked). Trade contributed 13.4 per cent of GDP, while transport and communications accounted for 4.6 per cent of GDP. Both grew at the same annual rate of about 7 per cent.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

113. Since the recent political changes in Burkina Faso, the Government has been radically reorganizing the economy and the society. The form deliberately given to the programme put into effect, namely, the abandonment of classical programming with quantified targets makes it difficult to make comparisons with the SNPA strategy and objectives outside of the organizational forms of the economic system involving popular participation and decentralization and the mode of project financing described in chapter II. What is more, the most recent statistics on the flow of development assistance date back to 1963.

114. These statistics show that financial and other assistance on concessional terms increased from $233.2 million in 1980 to $256.6 million in 1982, reflecting a mean annual growth of 4.9 per cent. The figure then fell to $201.6 million in 1983. On the basis of these trends, such assistance should have amounted to $207.7 million in 1985.

115. Member countries of the Development Assistance Committee (DAC) remained Burkina Faso's major aid partners. Their ODA contribution however declined in real terms by 3.8 per cent a year, from $151.1 million in 1980 to $134.2 million in 1983. The most optimistic projections place the 1984 and 1985 figures at no more than $132.1 and $125.9 million respectively, using 1982 as the base year.

116. In spite of these unfavourable trends, the Government continues to stake its future on the grandswell of solidarity from the international community to finance its people's development programme. Indeed, CFAF 129.5 billion of the overall cost of CFAF 16.07 billion (80.6 per cent) is expected from external sources. Of this, 47.8 per cent or CFAF 61.9 billion is expected to come in the form of loans.

VIII. DEVELOPMENT PROSPECTS

117. The good rainfall recorded in 1985 and the good cotton and shea butter seasons provide an indication that the improvement in the trade balance with the outside world will continue in 1986. Exports should increase by 8.4 per cent and imports decrease by 7.7 per cent to bring down the trade deficit to CFAF 55.7 billion, 14.9 per cent below the 1985 level. In all, GDP should grow in 1986 by about 4.7 per cent in real terms reflecting an increase in rural value-added of 7.7 per cent for the rural sector, 6.1 per cent for manufacturing industries, and 7.1 per cent and 6.3 per cent for trade and transport and communications respectively. The problem of the savings deficit will, however, remain, accounting for the equivalent of about 13.7 per cent of GDP, which hardly gives reason to hope for an investment rate of more than 4.6 per cent.

BURUNDI

I. Overall growth performance

118. During the period of the third five-year Plan 1978-1982, the Burundian economy recorded an annual growth rate of 3.7 per cent in real terms. Between 1982 and 1983, GDP is reported to have grown by 6 per cent; but it dropped by 5.2 per cent in 1984 as a result of the adverse impact of the drought on the economy. However, GDP is estimated to grow by 3.4 per cent in 1985 as a result of a near record coffee harvest and high export earnings.

119. The main stimulus to economic growth in 1985 came from the agricultural sector which recorded a 2.5 per cent increase in real terms, owing to a more than doubling of cash crop production. The service sector also contributed moderately to the good performance of the Burundi economy with a growth rate of 3.0 per cent in 1985 in real terms. The industrial sector grew slightly better in 1985 by 8.3 per cent as compared to 7.7 per cent in 1984 mainly as a result of an increase in value-added of the construction and other manufacturing industries like wood, paper, chemicals, construction materials, etc.

II. Major development problems and policies

120. The development of the Burundi economy is constrained by several factors, namely; the existence of a very high population density estimated at 148 inhabitants per km^2, which is not commensurate to the total area under agricultural cultivation estimated at less than 0.6 acres. In addition, Burundi is landlocked and its proximity of about 1,400 km from Dar es Salaam seaport and 2000 km from Matadi seaport afects its external trade in terms of high transport costs. The country itself is subdivided into micro-regions isolated from one another making domestic trade extremely difficult.

121. The weakness of the rural sector is a consequence of soil degradations, deforestation, transhumance and overpasturage. Other constraints include: the narrowness of the local market (disposable money income is about US$ 126 per caput); the lack of energy despite the enormuous hydro-electric potential and the weak capacity of domestic financing which increases the country's heavy dependence on external aid.

122. Recently, the government reinforced the measures regarding domestic trade and price control by issuing a new control card to businessmen. These measures had attenuated the effects of speculation and ensured the supply of goods and services to all the regions in the country. However, the cost of living remains quite high because of difficulties associated with the routing of goods through the transit countries. Consequently, the consumer price level rose from 8.4 per cent in 1983 to 14.3 per cent in 1984.

123. The government is concentrating investment in roads, buildings, transport, communications, energy and mining which will absorb 45.7 per cent of the 1985 development budget. Due emphasis is being put on the promotion of private investment. There are attempts in the fourth five-year development plan (1983-1987) to limit the import bill and to increase the domestic productive capacity.

III. Expenditure on GDP

124. In 1984, total consumption represented about 95.6 per cent of GDP in real terms, compared to 90 per cent in 1983. The growth rate was about 14.9 per cent in 1984 in real terms as compared to -0.6 per cent in 1983 and -10.1 per cent in 1982. This trend indicates that total consumption was growing faster than GDP at market prices due to increases in private consumption expenditure by 16.7 per cent in 1985.

125. Gross fixed capital formation is reported to have decreased from Bufr 22,977 millin in 1983 to Bufr 21,232 million in 1984. Also the investment rate decreased from 22.9 per cent of GDP to 19.2 per cent. This decline in investment contributed to the decrease in GDP at market prices by 5 per cent in 1984.

IV. Public finance

126. In 1984, the ordinary budgetary expenditure amounted to Bufr 15,395 million which represent an increase of Bufr 531 million or 3.6 per cent over the previous year's budget. To a large extent this increase in expenditure resulted from increases in wages and salaries for government employees. On the other hand, recurrent revenue increased by 28.2 per cent from Bufr. 12,861 million to 16,493 million. Thus, in 1984, a budget surplus of Bufr. 1,098 million was achieved compared to the deficit of Bufr. 2,003 million in 1983. The 1985 development budget shows little change from 1984, with development expenditures increasing to Bufr. 3.6 billion as compared to Bufr. 3.3 billion in 1984.

V. External trade balance of payments and external debt

127. Exports increased from Bufr 8,990 million in 1983 to Bufr 13,439 million in 1984, implying a growth rate of 49.5 per cent. This increase in export earnings was consequent upon rising coffee export receipts. However, this coffee performance comes, in part, from the stocks of the 1981 season, since the 1983 crop year was affected by drought. On the other hand, imports increased by 24.8 per cent from Bufr 23,903 to Bufr 29,822 million. The trade deficit rose by 9.8 per cent from Bufr 14,913 million in 1983 to 16,383 million in 1984.

128. Although Burundi remains historically a net importer of goods and services and has a chronic current account deficit, this deficit is covered by capital movements which prevented reserves from shrinking to zero.

Nonetheless, it is estimated that official reserve levels covered only two months of imports at end-1984.

129. Total government indebtedness increased from Bufr 3,989 million in 1978 to Bufr 18,633 million in 1984. The increased external debt is due to the need to finance the Third Five Year Development Plan. The debt service ratio jumped from 13.1 per cent in 1983 to some 25.5 per cent in 1985.

VI. Sectoral performance

A. Food and Agriculture

130. The year 1985 witnessed better climate conditions as the regularity in rainfall throughout the year permitted a good harvest. Food production which recorded a decline of 1.2 per cent in 1984 increased by 1.5 per cent to reach 13,250 thousand tons in 1985. This favourable food production had enabled the country to reduce its imports of food stuff (mainly cereals and bananas) by about 5 per cent.

131. As for cash crops, the production of coffee increased considerably in 1985 reaching some 65,000 tons. Cotton seed production increased from 6,650 tons in 1981 to 11,052 tons in 1985 and cotton-textile from 2,741 tons in 1981 to 6,800 tons in 1985. The production of tea which declined to 1,875 tons in 1984, picked up to 2,580 tons in 1985. Livestock production has not improved very much since 1980. The production of fish in 1984 dropped to 10,245 tons compared to 14,767 tons in 1980.

132. The main agricultural policies of the government as reflected in its various development plans, deals with the modernization of agriculture, through the application of better farming techniques and the use of fertilizers. To this end, the government had launched a new programme of "villagisation", which consists of grouping the rural population into 250 to 500 households, but subsistance farmers continue to resist the idea of leaving their traditional lands. The Government had established a company for purchasing, storing and distribution of food products throughout the country as well as an institution for co-ordinating agricultural research within the framework of an integrated rural development.

B. Industry

133. The industrial sector in Burundi, which accounts for just over 7 per cent of GDP, is very small and concentrated on production for the local market. In mining, geologic research was intensified throughout the country in accordance with the objectives of the Third Five Year Development Plan, 1978-1981. The results so far indicate a good prospect for mining, particularly with respect to sulphuretted resources, nickel, limestone, and gold. Manufacturing output was favourable although some industries stagnated as a result of a low purchasing power.

134. Burundi had received financial assistance to the tune of US$ 27 million from a French-Belgian consortium to build two factories for the treatment of green coffee with an estimated production capacity of 30-35,000 tons of arabica and 2-3,000 tons of robusta annually. The construction and public work subsector was characterized by the implementation of the urban development project initiated in 1982. In the field of energy, the construction of hydroelectric barrages in Mugers and Ruvyironza is underway.

C. Transport and Communication

135. Transport and communication recorded very modest performance in 1985. Burundi has two main export routes: from Bujumbura via Kalemie in Zaire to Matadi, which is 727 miles by lake and river and 1,283 miles by railway; and a cheaper route from Bujumbura via Kigoma to Dar-es-Salaam, with is 130 miles by lake transport and 774 miles by rail. There is one international airport at Bujumbura and five small domestic airports. There are 3700 miles of road, 85 miles of which are paved.

136. The government's main objective in the area of transport and communication is to open up the country to the nearest seaport through the construction of a rail-link to Tanzania's Rail Network. At the moment, the Tanzanian export route (Kigoma-Dar es Salaam) can only carry one-fourth of Burundi's export. Hence the government is also improving and utilizing the route through Rwanda, Uganda and Kenya (1,800 km).

VII. Implementation of SNPA

137. The second round-table meeting of external aid was organized by the Government with the assistance of the UNDP, from 8-11 February 1984. During this meeting the government presented its Five-Year Development Plan (1983-1987) with a financial requirement of BUF 140.1 billion (or US$ 1,556 million) of which $ 1,242 million was needed for project aid and US$ 314 million for Balance of Payment support. Most donors agreed in principle to finance specific project without firm commitments. The External Financing component of 56 per cent of th total investment programme has not been achieved by end-1985.

VIII. Medium-term prospects

138. The national recovery Plan issued in January 1978 aimed at achieving a 5.8 per cent GDP growth rate per annum during the period 1978-1982; but government officials have indicated that only 75 per cent of this target was reached. Likewise, the fourth five-year development plan (1983-1987) envisages a growth rate of 6 per cent per annum. This is unlikely to be realized since only 60 per cent of the investment programme costing some Bufr 107 billion is expected to be executed as against 46.5 per cent implementation rate of the Bufr 138.9 billion third plan. However, assuming world coffee prices remain firm in 1986, the prospect for Burundi's export earnings remains good, provided the longer term growth of production of coffee estimated at 2.7 per cent per annum is maintained.

CAPE VERDE

I. OVERALL GROWTH PERFORMANCE

139. Cape Verde's economic growth in recent years has been remarkable in the light of the difficult conditions in which it has been achieved - lack of natural resources, aridity of climate and inadequacy of means of transport. GDP in fact increased by 4.7 per cent in 1984 and 3.4 per cent in 1985, rising from $74 million to $79.6 million at 1980 prices. The consequence was a per capita income of $225 in 1984, 1.3 per cent higher than in 1983, and of $228 in 1985. This favourable trend is due in part to the support the economy has received from foreign aid and the repartriation of income by expatriate Cape Verdeans. To this is added the fact that during the acute phases of the drought activity in the primary sector was sustained by fisheries.

140. The composition of the GDP by sector remained stable over the period under review. Cape Verde's economy continued to be dominated by service activities (trade, transport and communications, administration), which provide about half the GDP, with the rural sector and the secondary sector each accounting for about 25 per cent of the domestic product.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

141. The major problems Cape Verde had to face during the period under review were (i) the chronic resource deficit and (ii) the persistence of major macro-economic disequilibria. Agricultural production potential was subjected to physical constraints, being limited by the nature of the soils and the irregularity of the rains which mean that only 10 per cent of the land can be cultivated. Where finance is concerned, public expenditure reached an unsustainable level equal to that of GDP, resulting in a State budget deficit equivalent to more than 50 per cent of GDP. In the money sphere the monetary institutions had to face a problem of setting an exchange rate which would encourage savings by expatriate Cape Verdeans, who number almost as many as the resident population, and to discourage frequent resort to imported consumer goods.

142. The essential aspects of the measures taken to solve these various problems are embodied in Cape Verde's first development plan, covering the period 1982-1985. This plan sets among other growth objectives, 12 per cent for GDP, an increase in the contribution of the manufacturing sector to 11 per cent, etc. One of the governments' priorities is the development of the rural sector, investment in which accounts for 20 per cent of the total. Rural development activities focus above all on the extent to which the food needs of the population are met, increasing the area under irrigation, supported by a water prospecting and reservoir construction programme, and conserving soils. The objective is above all to reduce the country's vulnerability to the harmful effects to the drought and in particular to avoid recurrence of the cycle of famine Caper Verde has experienced in the past.

143. The important points in the development strategy are to increase the manufacturing sector's share in the economy to 11 per cent of GDP by 1985 and to ensure access to the islands by establishing an extensive and varied transport and communications network. In the social sphere the Government's policy aims at improving the population's living conditions, eliminating illiteracy and reducing the population growth rate in the long term to a level compatible with the existing development potential.

144. The Government is also concerned to control inflation, and has instituted a policy of stringent restriction of the credit made available by the Central Bank and strict control of the price of primary commodities through the activities of EMPA (Empresa Publica de Abastacimentos), which holds the monopoly of retail trade. To the same end, the Cape Verdean authorities have instituted a policy of limiting political expenditure so as to reduce the country's dependence on the outside world for investment finance. This policy began to have positive results in 1984 when the national financing capacity was estimated at $21 million.

III. EXPENDITURE ON GDP

145. Cape Verde is characterized by a very high propensity to consume which creates a substantial resource deficit. The latter is thought to have risen to about $88.6 million a year over the period 1981-1984. Private consumption alone exceeds the level of GDP. These high consumption levels have been encouraged by a substantial flow of foreign aid and by the repatriation of part of the income of emigrant workers, most of them in the United States of America. Final consumption increased by an average 9.7 per cent a year between 1981 and 1985. Faced with this shortage of resources, the Government put into effect a policy for the reduction of consumption expenditure. In 1984, this policy made it possible to generate positive domestic savings of about $1.7 million. However, the situation deteriorated again in 1985, when negative savings were estimated at $2.4 million. To bridge this gap the Government instituted an incentive system by exempting from the funds repatriated by workers in order to encourage the investment of this capital in productive sectors. Thus repatriations sufficed to covwr 93.9 per cent of the trade deficit, which amounted in 1980 $77.7 million. The resource deficity, after falling equivalent to 67 per cent of GDP in 1984, rose again to 76 per cent in 1985.

IV. PUBLIC FINANCE

146. Between 1980 and 1982 the State's regular budget was in surplus, thanks to a slowing down of expenditure. However, the situation deteriorated in 1983 and 1984, when the deficit was estimated at 296.8 million and 10.4 million escudos. A surplus of 43.4 million escudos was restored in 1985.

147. The overall balance of the state budget has remained constantly negative over the period under review. Net of grants received the deficit rose from 1.1 billion escudos in 1983 to 1.5 billion in 1985, with an annual average total of grants estimated at 3.1 billion escudos. This situation was created by the launching of the first development plan, which led to an annual increase of about 15.6 per cent in the development budget. From 3.3 billion escudos in 1982 it rose to 5.1 billion in 1985.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

148. The trade balance has shown growing deficits since 1979: 1.8 billion escudos in 1979, 2.8 billion in 1983 and 4.5 and 5.1 billion in 1984 and 1985 respectively. This trend is the result of increase of exports and imports by 40.4 per cent and 20 per cent respectively between 1979 and 1985.

149. The balance of payments benefitted from substantial transfers of income by emigrant workers (on average 3.[illegible] billion escudos a year) and from the extent of foreign aid. These two sources of financing made it possible to balance the current transactions deficit, and even to generate a surplus on the overall balance of about 148 million escudos in 1984 and 179 million in 1985.

150. Faced with the resource deficit mentioned above and the increased financing requriements resulting from the launching of the first development plan, the Government of Cape Verde resorted to substantial drawings on foreign loans. Nevertheless, the total amount of the foreign public debt declined in 1984 and 1985 in relation to 1983 ($113.8 million in 1983, $112.2 million in 1984 and $108.9 million in 1985). The expenditure rate was on average 72.5 per cent, giving a debt servicing of about $2.7 million a year, or 95 per cent of income from the export of goods and services. Absorption capacity remained fairly low at about 47 per cent of loans contracted.

VI. SECTORAL PERFORMANCE

A. Food and Agriculture

151. This sector, which contributes on average 22.1 per cent of GDP formation experienced a growth rate in real terms of about 14.7 per cent a year between 1983 and 1985. Agriculture, its principal component, suffered from long cycles of drought which further aggravated an already precarious situation characterized by shortage and degradation of arable land and by growing food deficits. The main crops are maize, beans, sweet potatoes and bananas. Production was drastically curtailed in 1983, a year of particularly acute drought. Thus maize production in 1983 was only 2,700 tons and that of beans 2,200 tons, whereas the requirements were respectively 45 thousand and 8,000 tons. In 1984, according to FAO estimates, there was no significant progress in production of the main crops, which despite the return of the rains remained more or less at the 1983 levels. In 1985, food aid requirements were estimated at 660,000 tons.

152. In addition to the drought, the shortage of cultivable land is also a serious handicap to agriculture. Only 10 per cent of the country's total land surface is said to be cultivable. Irrigation offers fairly good prospects, with an irrigable potential of 8,600 hectares. In all, over the period under the review the growth rate of agriculture was about 11.7 per cent a year.

153. The fisheries sector, which contributes 5.0 percent of GDP, is hampered by the inadequacy of the means of production made available to fishermen and by their lack of training. This sector, nevertheless has enormous potential, estimated at some 50,000 tons landed a year, whereas currently catches amount to only 9,000 tons a year. Fishing accounts for about 70 per cent of export earnings.

154. The stock-raising sector suffered heavy losses as a result of the drought. In 1984 there were 13,000 cattle, 78,000 sheep and goats and 23,000 pigs. The value added of this sector, which accounts for about 4.[illegible] per cent of GDP, advanced by an average 26.0 per cent.

B. Mining

155. The mining sector makes only a very modest contribution to the economy of Cape Verde (about 0.2 per cent of GDP). The most important activity in the sector is the exploitation of salt, which account for about 10 per cent of exports. A pozzolana deposit is also being exploited, and a gypsium deposit could be in the very near future.

C. Manufacturing industries

156. The manufacturing sector is very limited, and contributes only 2.8 per cent of GDP. The small size of the market, the lack of natural resources and qualified personnel and the poor performance of the agricultural sector are the major obstacles to industrial development. Industry comprises fish canneries, textile mills, a rum distillery and beverage bottling plants. Most of the enterprises are private. Their growth rate has been negative, of the order of -4.9 per cent.

D. Energy, building and public works

157. Cape Verde is totally dependent on imports of petroleum products. These meet the energy requirements of the different sectors and about 40 per cent of domestic requirements, the remaining 60 per cent being provided by firewood. The result is an alarming deforestation of the islands which has led the Government to launch a national reforestation campaign. Building and public works, which accounts for about 30.7 per cent of GDP, progressed at 8.5 per cent a year.

E. Tertiary sector

158. This accounts for the bulk of the economic activity in Cape Verde, with 41.3 per cent of GDP. Its development, particularly in respect of transport and communications, the hotel industry and trade, is among the priorities of the first development plan, more than 20 per cent of the investments under which are allocated to it. This sector, which constitutes the development pole of the policy of reducing isolation and developing trade with the outside world, recorded a negative average annual growth of the order of -4.3 per cent.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

159. From 21 to 23 June 1982 the Republic of Cape Verde organized a donors' roundtable to mobilize supplementary financing for the first development plan. A mid-term evaluation was scheduled for 1985. On the basis of the latest figures available on the implementation of the plan and of bilateral co-operation programmes with the major donors, the implementation rate of the investment plans is better than 65 per cent, with however lower figures for rural development and transport and communications, caused by the longer time required to prepare projects and mobilize resources for these two sectors.

160. Expenditures out of foreign aid on concessional terms recorded a rise of 2.8 per cent between 1983 and 1985. They were on average $66 million a year, as against annual average of $38.1 million and $61.7 million for 1976-1980 and 1980-1982 respectively.

VIII. DEVELOPMENT PROSPECTS

161. The Government has made efforts to re-establish the major macro-economic equilibria and obtain for the country the external resources needed to implement the development plan. Nevertheless, the debt service burden remains too heavy to bear. The tertiary sector is expected to decline by 9.4 per cent in 1986, while the rural sector and the secondary sector are expected to grow by 3.5 per cent and 17.6 per cent respectively. In all, the growth in GDP in real terms is expected to be of the order of 3.5 per cent.

CENTRAL AFRICAN REPUBLIC

I. OVERALL GROWTH PERFORMANCE

162. The economic situation improved greatly in 1984 after the 1983 drought. GDP increased by an exceptional 8.8 per cent in volume, after a fall of 5 per cent in 1983. The expansion of output was for the most part a recovery to normal levels of agricultural production with the return of the usual weather pattern. In fact in real terms GDP was 2.2 per cent only over its 1982 level. In 1985, it is forecast that GDP will grow by 2.8 per cent still twice the average rate for 1980-1984.

163. Cotton production which had fallen to only 17,000 tonnes in 1981 increased to 45,500 tonnes, with the other export crops like coffee and tobacco recovering also. In manufacturing production, the rehabilitation of production units continued. The financial balance of the economy improved, net external assets growing by CFA 6.1 billion. Inflation abated and while wholesale prices increased by 5.9 per cent compared to 8.8 per cent in 1983, the increase in consumer prices for nationals was only 1.6 per cent compared to 14.6 per cent in 1983.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

164. The most pressing problems in 1984-1985 are financial ones. The budget is under pressure from high debt service payments and the burden of a huge civil service. The economy cannot generate sufficient revenues to pay for current budget expenditure, necessary recurrent expenditure to maintain basic infrastructures and pay off the debt. To complete the rehabilitation of the economy and put to use its considerable resources, the country needs investment funds which cannot be mobilized internally in view of the very low savings rate and the level of income.

165. A landlocked country with no direct access to its external markets, Central Africa is handicapped by high transport costs which jeoparadizes the profitability of some of its most promising productions and is acutely dependent on the proper functioning of transport routes passing through other countries. In addition, Central Africa is faced with a huge debt, a retarded agriculture, a damaged infrastructure, an inefficient and demoralized administration and chronic budget deficits.

166. The Government has made strenuous efforts to redress the situation and create the conditions for renewed growth. A first action programme (programme d'urgence) was implemented in 1980-1981 which aimed at repairing basic infrastructure and reorganising the institutional set up of the country. Afterwards, the National Programme of Action for the period 1982-1985 was formulated. The basic target of the programme was to reestablish balance in the economy, particularly restore budgetary equilibrium in order to fully complete its rehabilitation. The programme has received strong IMF support in the framework of adjustment programmes which provides stand-by credits to the budget conditional on the implementation of specific reforms.

167. The programme of action has provided for the liberalization of the price system and the restoration of the support system notably in agriculture. Steps have been taken to reorganize the great number of public enterprises in order to make them profitable and efficient.

168. To balance the budget and at the same time provide a stimulus to production, some taxes have been raised, mainly income tax, while others have been reduced. Tax collection has been strengthened and expenditure controls introduced chiefly on wages and salaries: the level of government employees has been frozen and recruitments into the civil service limited to a fixed ceiling. Credit controls have been established as further limits on government spending. The budget control measures have been mostly adhered to though their application has been painful.

169. Since September 1985 the government is carrying out a new adjustment programme agreed upon with the IMF with the same dispositions as before: limitation of the government wage bill; credit controls; rescheduling of the debt in the framework of the Paris Club. Despite the membership of Central Africa in the Central African Monetary Zone, the French Government has made its budgetary assistance conditional on IMF agreements.

III. EXPENDITURE ON GDP

170. Domestic demand increased by 12.8 per cent, almost 2 per cent more than domestic supply, so that the deficit of goods and services went up to 14.4 of GDP in 1984 compared to 12.4 per cent in 1983. The more rapid rise of domestic demand came from a strong expansion of private consumption up 24 per cent on 1983, and a continuing rise of investment, while public consumption dropped in line with the Government's austerity policy.

171. The rise in investment was, however, less than half the increase in GDP so that the investment ratio fell relative to 1983, a year in which investment increased by an estimated 62 per cent. Savings dropped in 1984 down to 2.7 per cent only of GDP after reaching 5.5 per cent in 1983, but this was still an improvement on the situation prevailing before 1984 when savings were negative. There are no government savings, the public sector as a whole being in deficit, while private sector savings have dropped after more than a decade of economic stagnation and decline.

IV. PUBLIC FINANCE

172. Under stand-by agreements with the IMF, Central Africa is following a budget austerity programme. Expenditure is controlled by fixed ceilings and wages which represent the largest share of expenditure have been frozen. On the receipts side, income tax rates have climbed and tax collection considerably reinforced. At the same time, some taxes have been cut in order to boost production. In 1984, budget revenues increased by only 4.9 per cent because direct tax revenue was lower than in 1983. Current expenditure went up by 10.2 per cent but this was mainly because of high debt service expenditures, estimated at CFA 10 billion against CFA 7.2 billion in 1983. Net of debt service,

expenditure grew by only 4 per cent, less therefore than revenue. Capital expenditure dropped to CFA 3.6 billion after 3.9 billion in 1983, but despite this the deficit went up to 9.5 billion CFA. This deficit has been financed by direct budget assistance from the IMF and the French Treasury.

173. The 1985 budget estimates show current expenditure contracting with lower debt payments, and investment expenditure rising sharply at the cost of a slightly higher deficit. Debt payments will amount to CFA 9.6 billion and investment expenditure about CFA [illegible].4 billion only. Current expenditure has been blocked at 90 per cent of effective receipts.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

174. Although external trade data are deficient, the information available undoubtedly show a rise in exports and imports at least in current values. Exports gained in 1984 because of higher agriculture production and less smuggling in diamonds and gold. Imports were spurred by strong domestic demand and also by higher prices. The raw tonnage of exports rose substantially in 1984 to 146,100 tonnes against 112,000 in 1983, while the tonnage of imports dropped. In constant price terms, export volume fell by a full 10 per cent, while import volume gained 4.1 per cent.

175. On the basis of recorded trade, the balance of trade was negative, by nearly 11 billion CFA compared to 6.7 billion in 1983 and the current account deficit increased slightly to 13.4 billion CFA (4.8 per cent of GDP) from 11.9 billion in 1983 (4.7 per cent). Overall, because of a significant increase in capital inflows, SDRs and exchange profits, the balance-of-payments deficits was reduced to 2.8 billion CFA.

176. Central Africa is acutely dependent on foreign aid as GDP and balance of payments statistics show: a rate of savings as low as 2.7 per in 1984 implies that 84 per cent of investment is financed by external resources. There is a net deficit on private transfers, although the country is receiving around 28-30 billion CFA per year in net transfers, a sum equivalent to roughly 10 per cent of current GDP, which is considerable. In addition, net capital inflows have increased and are in 1984 more than twice their 1982 level.

177. Central Africa is saddled with a relatively huge debt contracted during the 1970s. The debt itself is minuscule by international standards since it is estimated to be only 59.2 billion CFA by the end of 1985 or around US$ 123 million. However, the debt service is very high in comparison to budget revenue, and in 1984 16.3 billion CFA were due for principal and interest payments or 42.3 per cent of estimated budget receipts. On the 1985 budget, debt service will take 9.6 billion CFA on receipts estimated at 41 billion or 23.4 per cent. Debt rescheduling has lighten the burden, but the payments of such proportionally huge sums are starving the budget of investible funds. The government is resolved however to honor the debt commitments no matter how doubtful or invalid they may appear in order to establish its financial credibility and lay the ground for increased transfers of foreign resources which are vital for development.

VI. SECTORAL PERFORMANCE

(a) Food and Agriculture

178. With its large area, tropical climate and sparse population, Central Africa has considerable agricultural resources and normally produces enough to feed itself. However, during the 1970s, food production stagnated or fell, the supply of the cities being hampered because most roads became impassable. In 1983 a drought of exceptional severity badly hurt crops, cassava production falling by an estimated 18 per cent. In 1984, good weather, great strides in road improvements and better marketing combined to raise food production. Using official prices, a 1980 based index gives a growth of gross crop production of 23.4 per cent in 1984, the average rate for 1980-1984 stood at 8.7 per cent well above population growth.

179. Cotton is the most important export crop. However, in the 1970s, some government decisions led to the withdrawal of outside technical assistance creating a shortage of needed inputs. As a result output declined rapidly to reach an all time low in 1981 of only 17,200 tonnes. Since the introduction of the recovery programme in 1981, conditions have radically changed: producers' prices have been raised, technical assistance and extension services restored, roads repaired and maintained, coercive action against farmers cancelled. Cotton production has since increased to reach 45,000 tonnes in 1984 and for 1985 a still high figure of 42,500 tonnes is expected. The main issue now facing cotton production is the level of export prices. Price levels were good in both 1983 and 1984 but have been edging downwards since, losing 13 cents per pound on the U.S. market.

180. Other export crops: tobacco and coffee have also produced good results in 1984: tobacco increasing by 26.2 per cent and coffee which had badly suffered from the 1983 drought, was up by 9.4 per cent. Central Africa has a large timber resource, but their exploitation is constrained by high transport costs which cut into profit margins. Timber production has performed poorly, even more so as export prices were unfavourable and acute competition from Asian producers. In 1984 however some gains have been made, though the wood processing industries remained depressed.

(b) Mining

181. The two mineral products are diamonds and gold. Diamond is the main export of the country providing in 1984, 27 per cent of recorded exports and about 38 percent of the estimated effective receipts. Production is affected by smuggling which has been encouraged by high export taxes. Output which was estimated at 500,000 carats at the end of the 1960s was down to 340,000 carats by 1980. Under the national action programme, taxes have been cut and the sector reorganized. The diamond tax has been set at 10 per cent instead of 20 per cent and tax revenues have risen by 60 per cent. For gold the rise in production in 1984 has been spectacular increasing from 72,3 kgs. in 1983 to 216.3 kgs.

(c) Manufacturing

182. The sector is small and represented only 3 per cent of GDP in 1984. It is however providing nearly half of wage employment. The sector is mostly geared to the transformation of agricultural and forestry products, production of consumer goods and of some intermediate goods. During the 1970s manufacturing was hit by a deep recession, the fall in agricultural production, the disrepair of transport systems, leading to the closure of many industrial units. In 1984 manufacturing had still not regained its production level of the 1970s though rehabilitation is underway. This rehabilitation process made further strides in 1985 with the return to production of one textile factory.

183. Under the national programme of action, the government has undertaken a programme which includes the turning over to the private sector of public enterprises and enterprises with government participation. The process is however complex because of the difficulties involved in clearing up the financial situation of the units.

(d) Transport and Communication

184. The road system badly deteriorated in the 1970s, while transport on the Bangui-Brazzaville-Pointe Noire route which is vital for Central Africa was affected by the breakup of the common Central African transport authority (ATEC) which brought together the member countries of UDEAC. Since 1980 the road system has been greatly improved and traffic has resumed internally on the main roads as well as between Central Africa and Cameroon. On the other hand, river traffic has somewhat recovered, and is expected to improve since the repair work on the Brazzaville-Pointe Noire Railway has advanced considerably. In 1984 total transported tonnage was up by 8.4 per cent after slipping in 1983 because of the impact of the drought on water levels.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

185. The national focal point for the monitoring of the Substantial New Programme of Action is the Ministry of Planning. Although Central Africa had opted for a UNDP round-table mechanism, the meeting has not been held as yet. The country depends extensively on external assistance in view of its low saving rate and the inability of the government to mobilize domestic resources for public sector investment. The present Development Plan (1982-1985) was slated to be implemented in two places: one-year economic recovery programme and three-year medium term plan with a total cost estimated at 158.6 billion CFA. Financing requirements have not been met both for the one and three-year programmes and hence implementation was dulled.

VIII. MEDIUM-TERM PROSPECTS

186. Performance during the first six months of 1985 indicate continuous progress of the economy. Food prices have dropped substantially. The production of

cotton, and other export crops, and those of diamonds and gold is increasing. Foreign assets by May 1985 were CFA 6 billion higher than in May 1984. Domestic credit has risen also, but in a moderate way in line with IMF prescriptions. One worrying point is that medium-term credit has not expanded, an indication that investment levels are still weak. The 2.8 per cent forecast for GDP growth appears to be quite realistic and the recovery of Central Africa's economy is therefore proceeding forward though at a moderate pace. For 1985, it is reasonable to assume progress on the same lines. Faster growth will require more investment, and this will not be possible as long as the debt issue is Not resolved.

CHAD

I. OVERALL GROWTH PERFORMANCE

187. In the 1970s real GDP increased rather slowly at an average annual growth rate of 1.4 per cent. As of 1983 the economic environment has steadily improved due to better security conditions and a relatively high producer price for cotton which yielded increased output by 57 per cent in 1984.

188. In absolute terms, GDP attained a level of CFAF 230.1 billion in 1984 compared to CFAF [illegible] billion in 1977, a decline of 13 per cent. This decline is due to a [illegible] per cent drop in agricultural production including livestock despite the good cotton harvests. The industry and services sectors also fell by [illegible] per cent and [illegible] per cent, respectively in 1984 compared to the 1977 figures.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

189. Chad is essentially a rural country. The agro-pastoral sector occupies [illegible] per cent of the active population against 7 per cent in industry and 6 per cent in services. The contribution of the agricultural sector in GDP is estimated at 55 per cent in [illegible]. In [illegible] the country suffered extensive destruction and disorganization of its economy. Besides the effects of the war, the country is currently feeling the brunt of the exceptional drought that occurred during the 1984-1985 growing season.

190. Normal activity has returned since [illegible] but economic performance in 1984 has still not regained its 1977 momentum. The country's economic policies and strategies in the coming years will concentrates on attaining the objectives of the Interim Plan, through the mobilization of adequate resources for financing public investment programmes and projects.

III. EXPENDITURE ON GDP

191. The structure of demand on total Resources (GDP + imports) in 1984 indicates that the share of private consumption was [illegible] per cent, public consumption, 7 per cent, investment [illegible] per cent, and exports [illegible] per cent. The investment rate was [illegible] per cent of the GDP which is low compared to [illegible] per cent in 1973 and 17 per cent in 1977.

IV. PUBLIC FINANCE

192. With Recurrent Revenue estimated at CFAF 11.2 billion in 1984 and [illegible] billion in 1985, the country's financial position is precarious. Recurrent expenditure alone absorbs nearly [illegible] per cent of the budget. The budget for 1985 shows a deficit of CFAF 4 billion, including expenditures of CFAF 1 billion for debt repayments. Development grants and other external resource flows is estimated to decrease from CFAF 3.2 billion in 1984 to [illegible]

billion in 1985. Even with additional revenues from the Caisse Autonome's annual payments, the Government will not be able to finance the budget deficit from domestic sources and hence heavy reliance will be placed on external assistance.

V. EXTERNAL TRADE, BALANCE OF PAYMENT AND EXTERNAL DEBT

193. The balance of payments of Chad remains extremely fragile. Trends in external trade indicate that imports continue to exceed exports, and hence grants and capital movements have become a significant means of restoring balance in the country's external payments position. The trade deficit rose from CFAF [illegible].6 billion in 1984 to CFAF 19 billion in 1985 whereas the non factor services deficit rose from CFAF [illegible].1 billion to 20.3 billion. However, private and official transfers rose from CFAF [illegible] billion to 31.[illegible] billion. On the whole, the overall balance of payment showed a deficit of CFAF [illegible] billion in 1985 compared to a surplus of CFAF 5.7 billion in 1984, taking into account a negative flow of CFAF 4.1 billion on the capital account.

194. Outstanding foreign debt totals CFAF 40 billion (61 per cent of exports) with another CFAF 9 billion of domestic debt. Annual debt service payments average CFAF [illegible] billion. Payment arrears of public external and domestic debt total CFAF 1[illegible] billion.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

195. The agricultural sector which accounted for 55 per cent of GDP in 1984 was seriously affected by the drought in 1984-1985 which caused about 150,000 farmers to migrate to areas within the country with favourable climatic conditions. The food deficit which was estimated at 190,000 tons in 1982 and 130,000 tons in 1983 rose drastically to [illegible],000 tons in 1984/1985. Rice production dropped by 40 per cent in 1984/1985 from the 1983 level and sorghum and millet showed a similar decline in output. This food deficit could not be fully met by food aid. In contrast, cash crop production was boosted by high producer prices, attaining a level of 150,000 tons in 1983/1984 from 102,000 tons in 1982/1983. However, low world price for cotton affected production as it slumped to [illegible]5,000 tons in 1985. Sugar production rose to 35,000 tons in 1983/1984.

196. Although about 35 per cent of the volume of livestock trade evades official economic channels and hence cannot be properly assessed, the estimated value of cattle sales dropped from CFAF 50 billion in 1983 to 35 billion in 1984. The drought in 1984/1985, had caused a great depletion in livestock population.

B. Manufacturing

197. The manufacturing sector consist of small scale enterprises and craft industries and are predominantly informal activities but of great significance in the Chadian economy. The production activities entail semi-processing of agricultural raw materials like cotton, meat, groundnuts, etc. and the final processing of imported intermediate goods for consumption. Manufacturing sector performance has been dismal over the years and increased under-utilization of plant capabilities is prevalent due to the lack of foreign exchange to import essential inputs and spare parts.

C. Mining and energy

198. The mining sector's activities are concentrated mainly on exploration of mineral resources. However, other known minerals like uranium, limestone gypsum, kaolin, tin and woolfram have yet to be exploited on a commercial scale. There is a proven petroleum deposit in Lake Chad where production started in 197[illegible]. Petroleum production is estimated at 2,000 barrels per day, or 100,000 tonnes per year.

D. Transport and communications

199. Chad is landlocked and the inadequacy of its transport and communication system are the major handicaps to its economic development. The closest port is Douala which is 1,7[illegible] km. by land. There are 7,000 km. of main and secondary roads and 2[illegible] km. of earth road which is impassable during the rainy season. With regards to the air transport system, the airport at N'Djamena can handle all aircrafts except Jumbo jets and it has been improved by the establishment of a reduced-visibility landing system. The rehabilitation of telecommunications included the installation of a new urban telephone system. ZThe postal service is also being improved, although only 24 post offices are operating now as compared to 44 in 1977.

VII. IMPLEMENTATION OF THE SNPA

200. The Chadian government, with the assistance of UNDP organized its Round Table Conference with donors from 4-6 December 1985 in Geneva, in order to seek financial support for the 1986-1987 Interim Development Programme costing some US$355 million. As a follow-up to this meeting, sectoral meetings will be organized and it is expected that donors will be able to pledge their assistance in specific terms in the various social and economic development sectors of their interest.

VIII. MEDIUM-TERM PROSPECTS

201. Chad is currently facing a difficult economic and financial situation. The destruction of much of the country's industrial base and public administration combined with the impact of the prolonged drought on agricultural and livestock production heightened Chad's dependence on emergency financial assistance and food relief from abroad. Despite the remarkable reconstruction effort undertaken since 1982, the strengthening of the administration and a return to more normal rainfall levels in 1985, another exogenous factor is now threatening its medium-term prospects; As cotton accounts for some [illegible] per cent of Chad's export receipts and 25 per cent of government revenue, the decline in world market prices for cotton will have an adverse impact on public finance and the balance of payment in 1986.

THE COMOROS

I. OVERALL GROWTH PERFORMANCE

202. The performance of the Comorian economy has been satisfactory, despite the population explosion the country is experiencing, with an annual growth rate of 3 per cent. The rate of growth of GDP accelerated in real terms between 1983 and 1985 with an annual average rate of 5.3 per cent, as against 4.7 per cent between 1981 and 1983. This corresponds to an increase in per capita income of about 2.3 per cent.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

203. The economic development of the Islamic Federal Republic of the Comoros is affected by various adverse factors such as its inaccessibility resulting from the country's island situation, the high population growth, the weakness of the productive sectors, the lack of qualified managerial and other staff and the high level of emigration, estimated at 25 per cent of the population. The country's main sector of activity, agriculture, is moreover extremely vulnerable to natural disasters such as drought and the cyclones which regularly hit the archipelago destroying harvests and part of the livestock. The country's geographical location and its physical characteristics also have an impact on its public finances in that, in order to ensure some uniformity of prices throughout the national territory and to protect lowincome families, the State has to meet the cost of inter-island transport and the delivery cost of the products essential for household consumption.

204. These difficulties have led the Government to pursue a policy of: (i) improving access within and to the country; (ii) reducing dependence on the outside world, particularly for energy products and food; and (iii) controlling inflation by means of pricing measures and credit control. Since the population growth is substantially higher than the average for African least developed countries and risks constituting an obstacle to development, a family planning policy has been introduced to ease population pressure. The essential features of these measures are embodied in a development programme covering the period 1983-1990.

III. EXPENDITURE ON GDP

205. Final consumption continued to account in 1984 and 1985 for a very large share of GDP. On average, it was 27.8 per cent of GDP, with an average annual growth rate of 9.7 per cent in value terms, or 3.4 per cent in real terms. Public and household consumption grew at more or less the same rate, 3.2 per cent a year.

206. Gross fixed capital formation in 1984 and 1985 averaged more than 11 billion Comorian francs (FC) a year at current market prices, or about 28 per cent of GDP, and a domestic savings rate of about 12.2 per cent. Its growth rate was relative high, reaching 18.9 per cent at current prices, or 5.4 per cent in real value. This growth is explained by the dynamism of public investment and the implementation of the projects specified in the development programme. The resource deficit, after increasing in volume by more than 32 per cent in 1984, dropped by only 2 per cent in 1985.

IV. PUBLIC FINANCE

207. The public finances of the Republic of the Comoros are highly dependent on foreign aid. France and certain Arab States make substantial contributions to the state budget. By way of example, in 1982 the foreign contribution to recurrent expenditures under the budget was more than a third of the total expenditures.

208. In 1984, budgetary income amounted to FC 6.5 billion. The greater part of this income, about 65 per cent, is made up of customs earnings which are directly dependent on foreign trade; other indirect taxes accounting for barely 5 to 6 per cent of the income, and direct taxes for between 10 and 15 per cent. Nevertheless, budgetary income has increased considerably in recent years due to the effectiveness of the tax collection system. Between 1983 and 1984, budgetary income rose by 44 per cent, from FC 4.5 billion to FC 6.5 billion. Expenditure amounted in 1984 to FC 7.9 billion, of which 6.9 billion was accounted for by current expenditure. The State budget deficit was thus estimated at about FC 1.4 billion.

209. In 1985, the expenditure component of the budget was FC 23 billion, 14.7 billion for repayment of the foreign debt and 8.3 billion for current expenditures, or an increase of 19.4 per cent over the 1983 figure. Budgetary income is expected to reach FC 7.6 billion in 1985, 17 per cent higher than in 1983. Ths increase in income will be attributable largely to the increase in direct taxes and the value added tax. The budget deficit for 1985 amounts to FC 15.3 billion.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

210. The trade balance of Comoros has for several years been showing regular and increasingly large deficits; in 1981 the deficit was FC 1.6 billion, in 1983 5.7 billion and in 1984 and 1985 FC 15.7 billion and 15.4 billion respectively. The increase in the deficit in 1984 was due to a sharp drop of 58 per cent in exports in comparison with 1983, from FC 7.4 billion in 1983 to FC 3.1 billion in 1984, and to a substantial increase of 43 per cent in imports, which amounted to FC 18.7 billion in 1984 as against 13.1 billion in 1983.

211. Exports consist entirely of agricultural products, the most important of which are vanilla, cloves, copra and ylang-ylang. Vanilla exports, which amounted to 177 tons in 1983, fell in 1984 to 50 tons, despite a fairly good harvest estimated at 170 tons. The increase in the price of this product was a major factor in the shift by the main users to synthetic vanilla, with a resulting decrease in sales abroad. Vanilla exports continued, however, to acount for more than half the value of exports. The next most important product exported by the Comoros is cloves, which, with an export volume of 1134 tons, accounted for about 45 per cent of the total value of exports.

212. Almost all of Comoros' consumer goods are met by means of imports which are dominated by food products, building materials and capital goods which increased by about 40 per cent over the period.

213. The latest known figures for the balance of payments date back to 1982, when the balance showed a surplus of FC I.2 billion. The external payments of the Comoros have two characteristic features: the high cost of transport of goods because of the country's island situation and the magnitude of long-term capital flows.

214. The servicing of the Comoros' external public debt remains relatively low compared to the average for African least-developed countries as a group. The external public debt amounted in 1983 to $179 million. Debt servicing in the same year was $1.5 million, but has increased rather rapidly. It amounted in 1984 to $2.9 million, and in 1985 to $5 million, or 35 per cent of earnings from the export of goods and services.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

215. The agricultural sector contributes about 40 per cent of GDP, and employ 90 per cent of the population. It experienced a growth rate in real terms of the order of 7.9 per cent between 1983 and 1985, with a slow-down at the end of the period. Agriculture is extremely vulnerable to climatic conditions and its growth rates fluctuate widely. Part of the harvest is destroyed each year as a result of the frequent passage of cyclones. Thus, in February 1985, cyclone Feliksa seriously affected Anjouan island, the most productive in the archipelago, damaging crops and livestock.

216. Where production is concerned the country remains heavily dependent on the outside world, particularly in order to meet its food requirements. Over the period under review, it was estimated that only 12 per cent of demand for staple cereals (mainly rice) was met by the local production. Cash crops have been somewhat neglected because of (i) the fall in world demand for these products and (ii) competition from certain synthetic products.

217. Fisheries contributes about 15 per cent to agriculture value added. The very substantial fisheries potential is exploited at a rate of about 13 per cent because of the lack of equipment and of training for the fishermen. In 1985, the Government opened a training centre to remedy these shortcomings. The forestry sector has suffered from heavy deforestation as a result of population pressure.

B. Manufacturing industries

218. These account for only 5 per cent of GDP, and have grown at an annual rate of 7.7 per cent a year over the period, despite an unfavourable environment. Most industries relate to the processing of export products (vanilla preparation, ylang-ylang distillation), and are therefore dependent both on harvests and on world demand. Development of the industry sector is hampered by the small size of the domestic market, the shortage of qualified managerial staff and the absence of transport infrastructures capable of ensuring speedy and regular delivery of supplies to the various units.

C. Other sectors

219. The country's geographical isolation, resulting from its island situation and from the inadequacy of the communications network, has been a considerable setback to the economic development of the Comoros. For this reason priority was assigned to transport and communications in the development plan 1983-1990. Shipping remains the predominant means of transport in the Comoros. However, the port infrastructures and shipping facilities are very far from adequate. The same is true of the road network. These various factors constitute a real handicap to the development of the Comoros, raising the cost of imports and failing to allow easy access to the production areas, particularly for the supply of industrial units.

220. Transport and communications still make a fairly modest contribution of only 1.5 per cent to GDP formation despite the positive impact they could have on the exploitation of the country's tourism potential.

221. Trade remains by far the most important activity in the tertiary sector, with on average about 21 per cent of GDP. It is kept going above all by the transit function performed by the Comoros. From 6.2 per cent in 1984, its growth rate underwent a marked slow-down in 1985 to 4.9 per cent.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

222. In the context of the implementation of the Substantial New Programme of Action, the Comorian Government organized in July 1984 a donors' conference held at Moroni. The development programme submitted for the period 1983-1990 has a total cost of FC 122 billion. Following the conference, the Government is able to count on a total of FC 48 billion for project financing. Although the development of the agricultural sector and food self-sufficiency are priority objectives for the Comoros, the plan 1983-1990 allocates only 18.4 per cent of the total planned expenditure to agriculture and fisheries, while infrastructures, particularly in the transport field, are allocated 39 per cent of total financing, energy 14.5 per cent, human resources development 13.5 per cent, construction 6.9 per cent, industry 4.4 per cent and services 3.3 per cent. An interim plan for the period 1983-1986 totals FC 103.7 billion in which agricultural projects account for only 16.9 billion and transport and communications for 27.3 billion.

223. External aid flows still remain relatively substantial, although they decreased at the end of the period from $38.8 million in 1983 to $31.5 million in 1985. The main sources of aid are France and the OPEC member countries, whose contributions in 1983 were $10.5 million and $6.4 million respectively.

VIII. DEVELOPMENT PROSPECTS

224. The Comoros' development prospects for 1986 remain favourable, despite a certain slowing down of the GDP growth rate to 4.2 per cent as against 6 per cent in 1984 and 4.7 per cent in 1985. This falling trend is largely attributable to foreign aid flows which are not likely to be commensurate with the financing requirements of the development programmmes. The only factors which could lead to major departures from the trends remain drought and cyclones.

DJIBOUTI

I. OVERALL GROWTH PERFORMANCE

225. During 1984, the gross domestic product (GDP) of the Republic of Djibouti grew by 3.4 per cent from DF 53,050 million in 1983 to DF 54,869 million at current market prices. This nominal growth reflected virtually no growth in real terms (0.1 per cent). From the beginning of 1980, the GDP growth rate tended to diminish every year and in 1982 was even negative. This poor economic performance by Djibouti can be explained by the stagnation in port and transit activities concerning shipments to neighbouring countries and the drought which affected agriculture. Taking into account the population growth rate of 3.1 per cent therefore this pattern reflects a per capita income decline of 3.5 per cent ($685 in 1984 as compared to $710 in 1983). Estimates for 1985 give a nominal growth rate of 1.5 per cent only, or about 2 per cent in real terms.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

226. The main problems facing the economy of Djibouti relate to: (i) the tiny size of the country which extends over only 22 000 km²; (ii) the aridity of the climate; and (iii) the poverty of the sub-soil. These geographical features have created three major obstacles to the country's economic development namely; very limited potential for expansion of directly productive activities in the primary and secondary sectors, since arable land covers no more than 0.23 per cent of the land surface area; specialization in outward-looking service activities; and dependence on the outside world for the satisfaction of such basic needs as food and energy. The economy of Djibouti is therefore very fragile and vulnerable to conditions in the international economic environment.

227. The development policy defined in the 1983-1989 investment programme and which falls within the purview of the economic and social orientation Act aims at removing these various bottlenecks. The objective is to reduce overdependence on the outside world in terms of food energy, and manufactures. The means envisaged for ensuring the success of this policy are: development of national resources both geothermal and mineral, development of agriculture through intensive irrigation of arable land and exploitation of the country's substantial fisheries potential. Plans have also been made to take advantage of the country's experience in such maritime activities as ship maintenance and transit services.

III. EXPENDITURE ON GDP

228. The period under review was marked by a chronic domestic savings deposit, with final consumption exceeding the GDP by an average of 25.5 per cent. This increased Djibouti's dependence on the outside world because the investment rate remained on average at a level equivalent to 27 per cent of GDP. The resource gap was about 81 per cent of GDP.

229. In 1983, growth slowed down in terms of final consumption because of the fall in disposable household income. Household consumption and public consumption increased at a similar rate in 1985 - 4.9 and 4.7 per cent as against 5.0 and 8.8 per cent respectively in 1984. After some of the major schemes of the 1983-1989 investment programme got under way, a very steep rise in the investment rate was noted, from the equivalent of 19.5 per cent of GDP in 1983 to 27.4 per cent in 1984, only to fall back to 18.8 per cent in 1985.

IV. PUBLIC FINANCE

230. The change in budgetary practice which began in 1982 with the transfer of the army budget from French financing to the account of Djibouti ate into the public treasury, absorbing more than 4 per cent of GDP. The substantial resources of the reserve fund built up with the pre-1982 surpluses, which had made it possible to balance the regular budget in 1983, seem to have dwindled. After the two deficits of 1982 and 1983 had been financed, these reserves amounted to about 3.9 billion Djibouti francs (DF).

231. On the basis of this budgetary practice, the austerity measures initiated since the French withdrawal began, the decrease in subsidies by 24 per cent from 1982 to 1983 and the trend taken by aid flows in grant form, the current account deficit in 1984 can be estimated at about DF 350 million. The continued austerity measures are thought to have kept the deficit around DF 840 million in 1985. These various deficits have been financed by drawing on external loans. It should, finally, be noted that budgetary expansion is limited by the fact that the main resource, the domestic consumption tax, has reached a ceiling.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

232. Since 1983, export earnings have remained virtually stagnant at DF 22 billion after growing by 3.2 per cent in 1983 (as against -5.3 per cent in 1982 at DF 21.5 billion). The weakness of the directly productive sectors, the drought which has afflicted the country in recent years and the slowdown in international shipping transiting through Djibouti constitute the reasons for the paralysis of exports which are dominated by livestock products, with re-exports accounting for 98.7 per cent of the activities and transit services.

233. Imports rose from DF 37.7 billion in 1981 to DF 41.3 billion in 1982. For 1984 and 1985, the figures were DF 43.5 and DF 52.4 billion respectively. This trend reflects Djibouti's rising dependence on the outside world.

234. In all, the trade deficit increased by 19.1 per cent a year from 1981 to 1985 (DF 15 billion in 1981 DF 26.1 billion in 1984 and DF 30.2 billion in 1985). The rate of coverage of imports by exports, however, deteriorated from 60.2 per cent in 1981 to 42.4 per cent in 1985.

235. The external payments balance, which was in surplus up to 1983 because of net capital transfers which largely covered the current payments deficit, recorded deficits in 1984 and 1985. This deterioration was due to (i) exhaustion of reserves; (ii) stagnation in net capital transfers; and (iii) changes in the position of current payments. The trade balance therefore declined from surpluses of DF 2.7 and DF 0.1 billion in 1982 and 1983 respectively to deficits of the order of DF 3.8 and DF 8.7 billion in 1984 and 1985 respectively.

236. This precarious budgetary situation has led to an increase in Djibouti's external debt. The outstanding debt seems to have grown but slowly (3.3 per cent in 1984 1.6 per cent in 1985 as compared to 5.2 per cent in 1982). The outstanding external debt is reported to have risen from DF 17.4 billion in late 1982 (with a servicing of DF 530 million) to DF 18.9 and DF 19.2 billion in 1984 and 1985 respectively (with a servicing of DF 577 and DF 585 million respectively). The major creditors are France, Kuwait and the OPEC Fund.

VI. SECTORAL PERFORMANCE

A. Primary sector

237. This sector is essentially dominated by animal husbandry; fisheries are still a small-scale operation, and agriculture is constrained by the insufficiency of arable land (hardly 0.23 per cent of the land surface area) and the aridity of the climate. The sector contributed on average 5.5 per cent of GDP, with a value added rising by about 3.4 per cent a year from 1983 to 1985 in nominal terms, or zero growth in real terms. The situation could have become worse had it not been for the moderating effect of a dynamic natural resources subsector.

238. Apart from fruits and vegetables, there is no food crop production. Palm nuts are the only cash crop. Djibouti is, therefore, completely dependent on the outside world for its food needs.

B. Secondary sector

239. Drawing on the substantial deposits of limestone at Ali Sabieh, and of gypsum and clay in the Lake Assal region, the buildings and public works subsector provides the bulk of the value added in this sector. Manufacturing industries focus on products for human consumption (mineral water from Tadjourah and various beverages). Development of the secondary sector is impeded by the small size of the national market and the neartotal dependence on the outside world for energy. With an average of 14.5 per cent of GDP, this sector has grown by 1.3 per cent in 1985, as against 2.6 per cent in 1984, and achieved a mean annual growth rate of 2 per cent from 1981 to 1983. This performance, which is already modest in nominal terms, reflects definitely negative growth in real terms.

C. Tertiary sector

240. This sector accounts for about 72.3 per cent of GDP and is organized around transport, international banking and services rendered to the French military base. Trade activities contribute 24.3 per cent. The outward-looking nature of this sector makes its growth very unpredictable and vulnerable to fluctuations in demand from neighbouring countries. Therefore, at current prices, the growth in value added of the tertiary sector declined from 5.2 per cent in 1983 to 3.6 per cent in 1984 and 1.2 per cent in 1985, matching the downward trend in international traffic at the port of Djibouti.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

241. The Republic of Djibouti organized a donor Round Table from 21 to 23 November 1983. At that meeting, an investment programme of $570 million (or DF 100 billion) was submitted to secure external financing estimated at $310 million to complement the $240 million already secured and the $20 million that the country was providing. Pledges were estimated at $170 million. However, the first record of aid flows prepared on 15 April 1984 showed that only 9.7 per cent of that amount had been received. The tendency of capital flows to stagnate at their 1983 level noted in 1984 and 1985 seems to indicate that funding agencies have not fulfilled the pledges they made at the Round Table. The conditions for extending such external assistance, with a low grant component, might well compromise the country's growth potential.

VIII. DEVELOPMENT PROSPECTS

242. The foregoing analysis of Djibouti's economy shows the country's great dependence on the outside world both for food and for setting up a productive sector that can meet local needs and secure equilibrium in the balance of payments. An appeal for assistance was addressed to the international community, but reactions seem to be slow and very modest. The downward trend of capital flows that has begun (in particular the budgetary disengagement of France) leave little hope of an early economic recovery. The GDP growth rate in 1986 should be about 2.5 per cent in nominal terms, with a domestic savings deficit equivalent to 46.6 per cent of GDP.

EQUATORIAL GUINEA

I. OVERALL GROWTH PERFORMANCE

243. The economic situation in Equatorial Guinea since the political changes which took place in August 1979 has been characterized by a phase of ad hoc activities between 1980 and 1982 and the implementation of a three-year investment programme for the period 1982-1984. Economic performance has been irregular. As a result of the initial measures of re-organization, the economy began to recover in 1980. GDP at 1980 constant factor costs rose from $40 million in 1980 to $42 million in 1982. There was no significant change in the struture of the economy, the main contributions to GDP coming from agriculture, including fisheries and forestry (almost 43 per cent in 1982 as against 42.5 per cent in 1980) and from services including public administration (close to 48 per cent in 1982 as against 45 per cent in 1980). During this first phase from 1980 to 1982 there was no real growth in manufacturing industy and construction, with the result that their share in GDP showed a slight decline, from 5 to 4.7 per cent for each of these sectors. The growth of GDP in real terms by 2.4 per cent a year was the result essentially of agriculture, whose rate of expansion was of the order of 3 per cent. During the second phase, from 1982 to 1985, GDP fell again in 1985 to its 1981 level of $41 million at constant 1980 costs because of the drop in agricultural production.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

244. The Government of Equatorial Guinea is determined to put an end to the obstacles to development inherited from the colonial regime and aggravated by the mismanagement of the national economy from 1968 to 1978. To promote the country's economy and financial recovery, it drew up an economic and financial recovery programme 1982-1984. Within the context of this programme, it established relations with numerous financing agencies, and this enabled it in 1985 to obtain or negotiate international financing totalling more than CFAF 40 billion for priority development sectors, particularly: (i) the reorganization of public finance (IMF); (ii) the development of Bata Airport (ADB and BADEA); (iii) construction of the Riaba hydroelectric power plant (CCCE and EDF); (iv) rehabilitation of cocoa plantations.

245. A decisive element in this programme was the devaluation of the ekwele by 82 per cent and its replacement by the CFA franc which took place on 2 January 1985 when Guinea joined the franc zone and became a member of the Banque des Etats de l'Afrique centrale. In 1985, the Government concluded with France a technical co-operation agreement for the improvement of public financial management. Other objectives comprise strengthening of Government's fiscal position, limiting the external trade deficit to a sustainable level, promoting exports through rationalization of export taxes and the producer pricing system, and effecting a general liberalization of prices on the domestic market. Equatorial

Guinea has also drawn up an investment code which provides for incentives to the reopening of exploitation of a very extensive range of natural resources. It may be recalled that, because of the contribution of the timber, cocoa, coffee, livestock and fisheries sectors, in 1968 Equatorial Guinea ranked third among the African countries in terms of per capita GNP.

III. EXPENDITURE ON GDP

246. Public consumption, which rose from $21 million in 1980 to $22 million in 1981, fell again in 1982 to $17 million and has scarcely increased since. The same is true of private consumption, which from $52 million in 1982 fell to $49 million in 1985 at constant 1980 market prices. Gross fixed capital formation has not increased since 1983; totalling $5 million at constant 1980 market prices, it accounts for about 11 per cent of GDP. From 1983 to 1985, exports increased at an annual rate of 6.2 per cent. This export growth was due essentially to the increased forestry production (timber), which in 1983 was 114,363 m^3. Imports in 1985 remained more or less at their 1983 level of $45 million in 1980 constant prices.

IV. PUBLIC FINANCE

247. Equatorial Guinea's budgetary situation is characterized by a chronic deficit which increased by 35 per cent between 1982 and 1983, rising to 3.1 billion bipkwele (Bipk). Available estimates for 1984 and 1985 give deficits of Bipk 5.6 billion and 9.2 billion respectively, while the investment budget, which focuses essentially on rehabilitation of the main productive sectors and modernization of forestry, increased from Bipk 2.8 billion to Bipk 3.9 billion over the same period.

248. The restructuring exercise undertaken with the support of the Banque des Etats de l'Afrique centrale seems to have borne fruit, in that on 1 January 1985 Equatorial Guinea rejoined the CFA zone.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

249. Equatorial Guinea's balance-of-trade deficit is expected to amount to $26 million at the end of 1985, or the same level as 1984. This unfavourable situation is the result primarily of a very heavy increase in food imports. The recommendations contained in the national import plan could not be followed because of the deterioration in food crop production.

250. The overall balance-of-payments deficit stabilized at an annual average level of around Bipk 3.9 billion between 1983 and 1985, thanks to the moderating effect of unrequited transfers on the current operations deficit and to substantial capital inflows.

251. The total amount of the external public debt guaranteed by the State was $20 million at the beginning of 1984. Equatorial Guinea's main creditors were Spain, China, Switzerland, the Union of Soviet Socialist Republics and France.

252. On 22 July 1985, Equatorial Guinea obtained from the Club of Paris a rescheduling over 10 years of the due dates 246 million French francs of its guaranteed debt. This re-arrangement agreed to by France, Spain and Italy covers accumulated arrears at the end of 1984 as well as principal and interest due from January 1985 to June 1986. Repayment will take place in 10 years with a five-year grace period. The creditor countries have been sympathetic to the efforts at recovery made by the authorities. This decision is in fact the result of a bold restructuring and recovery programme implemented by the Government in the context of a stand by arrangement with IMF approved on 28 June 1985, under which Equatorial Guinea will receive 9.2 million SDRs by the end of 1986.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

253. Agriculture, including fisheries and forestry is the basis of Equatorial Guinea's economy. It employs almost 80 per cent of the population and provides more than 40 per cent of GDP and almost 80 per cent of export earnings. While subsistence agriculture producing primarily yams, bananas and maize, predominates, the sector also produces coffee, cocoa and timber for export.

254. During the period 1980-1984, food production improved somewhat and staples such as manioc, rice, fish and palm oil reappeared on the markets, although with periodic shortages. Among export crops, cocoa occupies the first place. Over the first 10 years following independence, cocoa production fell steeply from 38,000 tons in 1968 to 8,000 tons in 1978; in 1980, it was only 5,250 tons. Despite a rise to 7,859 tons in 1981 it fell again to 6,851 and 6,683 tons in 1983 and 1984 respectively. Of the 46,000 hectares of plantations, less than a third are currently in a condition to produce.

255. Production of coffee the country's second source of wealth, fell from 9,000 tons in 1968 to almost zero in 1978. In 1980, it was no more than 108 tons. After a strong revival in 1981, when production rose to 600 tons, it stablized at 400 tons in 1983 and 1984. The rehabilitation of cash crop agriculture (cocoa and coffee) has been slow because of the lack of the inputs and agricultural equipment, the low level of producer prices and the absence of an agricultural credit system. Timber production has expanded, rising from 47,485 m^3 in 1981 to 103,029 m^3 in 1984, but nevertheless remains very far below the technically feasible level of 300,000 m^3.

256. Small-scale stock raising throughout the country and largescale stock raising in Moka (altitude 1,000 m) can be expanded, as can fisheries along the coast adjacent to the Rio Muni and around Annobon Island.

257. The Government's effort in the sphere of agriculture are currently focused on rehabilitating cocoa production, which is the subject of a major project costing more than $16 million financed jointly by the World Bank, BADEA, OPEC and UNCDF. This project, which started in 1984, should by the end of 1990 extend over an area of 7,550 hectares and be producing 4,610 tons of cocoa. It is expected to contribute to the improvement of yields per hectare by about 11.5 per cent a year from 1985 to 1990.

B. Other sectors

258. The share of manufacturing industries in GDP has remained stable over the period 1980-1985 at around 4.8 per cent. Exploitation of petroleum resources offers good prospects bearing in mind the reserves available in neighbouring countries such as Nigeria, Gabon and Cameroon. With its 385 km coast line, Equatorial Guinea has an exclusive economic zone of 300,000 km^2, or 10 times its land surface area. In 1985, an oil consortium signed with Equatorial Guinea an exploitation and shared oil production contract which covers an area of 2,200 km^2 off Rio Muni and provides for a seismology programme and two test drillings in an initial threeyear period.

259. Electricity gneeration, which is currently almost non-existent, is being started up again with financing from the European Development Fund for the extension of the diesel generating plant and electricity network of the town of Malabo. This financing was obtained in 1984.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

260. Three years after the submission of the economic recovery programme to donors, the results obtained in terms of external assistance are very encouraging. The rescheduling of the debt consented to by the principal creditors in 1985 and the effective implementation of priority projects under the programme, thanks to the positive reactions of a large number of donors, afford grounds for believing that the national economy will recover and effectively take off again over the next three years. Nevertheless, the Government needs to continue improving its credit worthiness in international circles by meeting its commitments to current creditors through strict management of the State budget. However, in April 1982 it drew up and submitted to an international conference of donors at Geneva a three-year programme for the period 1982-1984. This programme assigned priority to agriculture and socio-economic infrastructures.

VIII. DEVELOPMENT PROSPECTS

261. Equatorial Guinea's entry into the CFA zone, which was conditional upon a number of measures to restructure the public sector and the main branches of production (primarily agriculture and forestry), demonstrates that the country's economic situation has begun to recover. Equatorial Guinea also possesses substantial natural resource potential - timber, oil and polymetallic ores.

These various factors, supported by substantial technical and financial assistance, should make it possible to maintain growth in 1986 at the 1985 rate, and to begin more rapid growth in the near future. The large-scale return of Equatorial Guineans who had gone into exile under the former regime and the foreign aid flows that are taking place appear to demonstrate a new confidence in the development strategy and objectives defined by the Government. The major constraint remains the lack of qualified personnel.

ETHIOPIA

I. OVERALL GROWTH PERFORMANCE

262. The Ethiopian National Development Campaign (or Zemetcha) had stimulated economic recovery in 1978/79 and 1979/80 when an average annual GDP growth rate of 5.4 per cent was recorded, largely attributed to the good performance of the agricultural sector and increased utilization of industrial capacity.

263. Recent economic performance have witnessed a considerable setback as reflected in the decline in real GDP growth to around 2.9 per cent (at constant 1980 prices) per annum between 1980/81 and 1982/83 and a further slip in 1983/84 by 3.7 per cent. The general slowdown in economy growth worsened in 1984/85 with a decline in real GDP growth of 6.5 per cent (constant 1980 prices). This dismal performance of the economy is attributed to the poor showing of the key commodity producing sectors, especially the adverse impact of the drought on agricultural production and the incapacity of the industrial sector to expand due to the lack of domestic investment resources.

264. According to official figures, the general price level as measured by the Addis Ababa retail price index (1963 base year) increased from 4 per cent in 1982/83 to around 19 per cent in 1984/85 with the price of food alone rising by as much as 25 per cent. The economic down-turn has also been accompanied by a sharp deterioration in the terms of trade as the value of coffee, the major cash crop, dropped by 28 per cent in 1984/85 over the 1983/84 level.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

265. The principal causes of the slow-down in economic growth in recent years are the drought which affected agricultural production and also capacity constraints in the industrial sector due to the low rate of investment resulting from inadequate levels of domestic resource mobilization. External resource flows for the development account have been quite low over the past few years averaging only $6 per capita as compared with $20 per capita for developing African countries. In addition, to these central problems, the operations of government parastatals (accounting for 95 per cent of industrial output) are also affected by financial problems, especially the shortage of working capital and large accumulation of debt from commercial banks.

266. To redress these problems, the Government had taken a number of measures to reverse the deteriorating economic situation. The Ten-Year Development Plan (1984/85-1993/94) has been phased out into three sub-plans of two, three and five years (i.e. 1984/85-1985/86; 1986/87-1988/89; and 1989/90-1993/94) with clearly defined objectives and strategies in order to ensure its effective implementation over the planned period. The main thrust of the Plan is the rehabilitation of the agricultural sector, partly through guaranteed producer prices and the diffusion of improved techniques to farmers.

267. An economic liberalization policy announced sometime in 1985, allows for private businessmen to raise capital on the domestic market varying from Birr 1 million to Birr 2 million and to import machinery and equipment for small scale industries. The Government had banned the importation of luxury items, including cars and imposed restrictions on petrol usage. Fiscal measures include a famine tax of one month's salary equivalent for all Ethiopians according to Government Negarit Gazeta. Private companies are required to contribute 1 per cent of annual sales turnover; share holders; 1 per cent of annual profits while individuals and enterprises are to contribute 2 per cent of annual income based on returns for 1983/84.

268. The drought had had a devastating impact on the economy, which the combined efforts of the Government and the generous response of the international community have alleviated to a certain extent. External financial and material assistance disbursements is estimated at $288.7 million. The Government itself allocated a sizeable proportion of resources, both human and financial, to the drought operations as well as the resettlement programme of drought victims to less droughtproned areas.

III. EXPENDITURE ON GDP

269. Consumption continues to dominate domestic expenditure. In 1984/85 there was a slight decline in the share from 98 per cent of GDP in 1983/84 to 97 per cent, of which the proportion of private consumption was around 81 per cent for both fiscal years. Domestic savings as a proportion of GDP which was around 4.6 per cent in 1980/81, dropped to 2.5 per cent in 1982/83 and levelled-off at 3 per cent in 1983/84 and 1984/85. Gross investment dropped from 12.8 per cent of GDP in 1983/84 to around 9.5 per cent in 1984/85 due largely to constraints on domestic resource mobilization as well as the continued decline in external resource flows directed at the productive sectors.

IV. PUBLIC FINANCE

270. Actual out-turn of Government recurrent revenue in 1984/85 was around Birr 2,205 million, a decrease of 0.6 per cent over the 1983/84 revenue intake of Birr 2,217.6 million. Tax revenue, which constitutes 75 per cent of recurrent revenue dropped from 17 to 16 per cent, which partly explains the drop in total revenue. On the other hand, total expenditure increased by 5 per cent in 1984/85 to around Birr 3,155.4 million as against Birr 3,002.3 million in 1983/84 because of increased demand on the Budget for the drought operations.

271. The budget deficit in 1984/85 was estimated at Birr 950.4 million, a 21 per cent increase over the 1983/84 level of Birr 785.7 million. The deficit as percentage of GDP increased from 7.9 per cent in 1983/84 to 9.6 per cent in 1984/85. As was the case in 1983/84, a substantial proportion of the budget deficit, about 57.4 per cent, was financed from outside sources:

external borrowing (37.9 per cent) and foreign aid (19.5 per cent). Domestic borrowing financed 42.6 per cent of the deficit. These trends demonstrate the Government's continued heavy reliance on external financing of the budget deficit which is disquieting since the bulk of the deficit is an outcome of increased recurrent expenditures which accounts for an average of 70 per cent of total public expenditures during the past few years.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

272. The general slow-down in the economy had been followed by adverse terms of trade. The total value of exports dropped in 1984/85 to Birr 745.7 million as against Birr 930.1 million in 1983/84. This was caused by the substantial decline of 19 per cent in coffee export receipts which on average, accounts for well over 60 per cent of total export earnings. Large quantities of coffee is reported to have been held up because of transport difficulties. On Balance, imports also dropped considerably, because of the recessionary tendencies, from Birr 2,067 million in 1983/84 to around Birr 1,572 million in 1984/85. Summing up these developments in the external trade position, the deficit on the trade balance was reduced from Birr 1,137 million in 1983/84 to Birr 326 million in 1984/85.

273. On the whole, the current account deficit as a proportion of GDP decreased from 8 per cent in 1983/84 to 6 per cent in 1984/85. Net foreign reserves (minus gold) slumped to $38.7 million in early 1985 although it recouped towards the end of the year as a result of austerity measures adopted by the Government. Nonetheless, the position then was equivalent to less than two months of imports. Overall, the Balance-of-Payment position showed an improvement in 1984/85 as compared to 1983/84, as donors, especially the IBRD/IDA, are reported to have provided substantial Balance of Payment support.

274. As at end-1984, total external debt was estimated at Birr 5,101.6 million of which Birr 3,133.4 million was disbursed leaving Birr 1,968.2 million committed but undisbursed. The annual debt repayment obligation had reached Birr 134.0 million in 1984 with a debt service ratio of 16.1 per cent as compared to 12.9 per cent in 1982.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

275. Agriculture is still the dominant sector in the economy, contributing well over 50 per cent of GDP and about 90 per cent of exports. The sluggish growth performance of the sector, due to the drought, is the most significant factor explaining the slackening of GDP growth between 1981 and 1984. On the whole, private farming continues to dominate both in terms of output and acreage under cultivation. An estimated 6.2 million hectares or 90 per cent of a total hectarage of 6.5 million was under private cultivation contributing 6.9 million tonnes or 90 per cent of total output in 1982/83, 6.2 million tonnes or 94 percent in 1982/84, 4.3 million tonnes or 94 per cent in 1984/85. The sector declined by 9.9 per cent in 1983/84 (at 1980 prices) and is estimated to have dropped further by 16 per cent in 1984/85.

A substantial amount of rains, though unevenly distributed, was reported in the main crop growing areas and production in the 1985/86 season is said to be much improved.

276. With respect to cash crops, coffee is the principal export earner. Production in 1984/85 was around 1,463 thousand tonnes, a substantial drop compared to 1,718 thousand tonnes in 1982/83 and 1,653 thousand tonnes in 1983/84.

277. Productin of cereals, pulses and oil seeds showed mixed performance. Cereals decreased successively over three growing seasons from 6 million tonnes in 1982/83 to 5.5 million tonnes in 1983/84 and 3.5 million tonnes in 1984/85. Pulses declined from 873,000 tonnes in 1982/83 to 705,000 tonnes in 1983/84 but recovered slightly in 1984/85 to 733,000 tonnes. Production of oil seeds increased from 38,000 tonnes in 1982/83 to 136,000 tonnes in 1983/84 and up to 148,000 tonnes in 1984/85. Concomitant with these output levels, latest Government estimates indicate that about 1.6 million tonnes of food aid will be required during 1986 as against a requirement of 1.5 million tonnes in 1985 of which 0.9 million tonnes was received.

278. Ethiopia has one of the largest livestock population in Africa. The value of animal and animal products in 1982/83 and 1983/84 was estimated at Birr 27.6 million increasing by 58 per cent in 1984/85 to Birr 43.5 million. This substantial increase in meat production in 1984/85 was mainly due to farmers' fear of the impact of the drought on their herds and hence cattle sales was stepped up to avoid total loss.

279. Aside from the drought, the major problem facing the agricultural sector is the shortage of inputs. The use of fertilizers had declined due to escalating prices. Improved seed utilization also dropped due to shortfalls in distribution as well as inadequate resource and location-specified seed varieties. There has also not been any marked increase in manpower and financial resources to the agriculture sector commensurate to the area under cultivation.

280. In addressing these problems, the Government had laid increased emphasis on the rehabilitation of the agricultural sector through guaranteed producer prices, and increased subsidies for fertilizers, high grade seeds and pesticides. Irrigation will start in 1986 on about 12000 hectares of land. WFP is assisting with a $100 million financial package for a soil conservation project to start in the same year. A project in agricultural rehabilitation costing some $70 million is to be launched with the financial backing of IBRD/IDA. One of the objectives of the project is to expand agricultural research, particularly the development of research packages for small scale farmers that are adaptable to varying farming conditions.

B. Manufacturing industries

281. The manufacturing sector continues to be concentrated on semi-processing and production of consumer goods. Processing of food accounted for 29 per cent of the gross value of output followed by textiles with 27 per cent and beverages - 15 per cent. On the whole, manufacturing output increased by 3.8 per cent in 1983/84 and 1.6 per cent in 1984/85. Unlike the agricultural sector, state-owned manufacturing industries account for about 95 per cent of total industrial output. In 1984/85 gross value of output (at current prices) of the State-enterprises was estimated at Birr 2.1 billion compared to Birr 1.9 billion in 1983/84.

282. The manufacturing sector is currently beset with the problem of shortage of raw materials. The drought had affected supply of agricultural raw materials such as sugar cane, cotton, tobacco, barley, etc. The shortage of foreign exchange meant insufficient supply of raw materials and spare parts for industries dependent on outside sources. and as such frequent breakdowns led to capacity underutilization in a number of industries. In order to enhance production, the Government had introduced some liberal policies which are expected to allow increased private participation. Businessmen are now encouraged to raise capital on the domestic market and to import machinery and equipment for small scale industries.

C. Mining and Energy

283. At present, the major activity of the Government is limited to exploration both in the mining sector and for new and renewable sources of energy. An intensified search for coal, petroleum and other minerals is underway. Gold production in 1984/85 was estimated at 980 kg., an increase of 48 per cent over the 1983/84 level of 662 kg.

284. The country is totally dependent on imported petroleum. Import of crude petroleum increased from 733,000 tonnes in 1983 to 790,000 tonnes in 1984 and an estimated 810,000 tonnes in 1985. In addition to crude petroleum refined petroleum is also imported but due to the expansion of domestic refining capacity, such imports have declined from 18,458 tonnes in 1983 to 13,000 tonnes in 1984 and to an estimated 10,500 tonnes in 1985.

285. The production and distribution of electricity is dominated by the State accounting for an average of 93 per cent of electric power output. Electricity production in 1983/84 and 1984/85 was estimated at 740 million Kwh and 710 million Kwh. The decline is explained by the shortage of water (due to the drought) which limited the hydroelectric generating capacity. However, production is expected to double within the next ten years as the Government pursues its objective of establishing an inter-connected national grid system and hence the gradual phasing out of non-hydro production.

D. Transport and Communication

286. The transport infrastructure in Ethiopia is relatively undeveloped and the Government is putting in a substantial amount of investment in the building of roads; the rehabilitation of the rail network and developing its air and sea links. The road network is sparsely distributed and all weather road is estimated at about 20,000 km. Railway services is limited to the 781 km rail-link connecting Addis Ababa and Djibouti. There is a plan to extend the railway from Awash to the port city of Assab. In the area of air transport, the national carrier, Ethiopian Airlines, is expanding both domestic and international networks.

287. With regards to telecommunications, a major investment is underway which will cover a second earth satellite station and the building of 200 telephone exchanges. The total cost of the project is estimated at $1,526 million which is expected to be co-financed by IDA, ADB and Italy with local financing from the Ethiopian Government to the tune of $48 million.

VII. IMPLEMENTATION OF THE SNPA

288. The national focal point for the follow-up of the implementation of the substantial new programme of action in Ethiopia is the Central Planning Supreme Council (CPSC). The Government had opted for a UNDP Round-table. Preparation of the ten-year development plan (1984/85-1993/94) has been completed and it is expected that an investment programme along with policy objectives and strategies will be presented at a donors' meeting. External financing over the ten-year period is estimated at Birr 41.8 billion. Up to the time of writing this report, there is no indication as to when the Government plans to organize its Round-table.

VIII. MEDIUM-TERM PROSPECTS

289. The prospects for economic recovery which was reflected in real GDP growth of 5.4 per cent during 1978/79 and 1979/80 has been dulled by the drought conditions during the period 1981-1984. The ten-year development plan, optimistically envisaged GDP to increase, in absolute terms, from Birr 8.8 billion in 1983/84 to around Birr 16.6 billion at the terminal year of the plan which implies an annual average growth rate of 6.3 per cent. However, based on an independent projection, with the underlying assumption that good weather prevails for the agriculture sector to regain its thrust, GDP is projected to grow at the rate of 4.7 per cent in 1985/86 and at an annual average increase of around 4 per cent during the plan period.

THE GAMBIA

I. OVERALL GROWTH PERFORMANCE

290. The economic situation in the Gambia worsened sharply in 1984. The decline was caused mainly by uneven rains and pest infestation which adversely affected agricultural production. Inadequate price incentives and institutional weaknesses also played their part as several thousand hectares which were prepared for groundnut cultivation could not be planted due to late distribution of seeds.

291. GDP at current factor cost is estimated to have risen by 4.6 per cent from D524.8 million in 1983 to D548.7 million in 1984, compared with the 13.3 per cent increase in 1983 over 1982. Taking inflation into account, however, real GDP at factor cost is estimated at D298.7 million in 1983, thus implying a decline of almost 10 per cent. The decline in agricultural output, especially marketed groundnut production, also resulted in a sizeable unforeseen financial loss for the Gambian Produce Marketing Board.

292. Domestic demand pressures have intensified, with the overall fiscal deficit widening and recorded inflation rising. The consumer price index rose by 21.8 per cent during 1984/85, from 183.7 per cent in 1983/84 to 223.7 per cent. Earlier on in 1983/84 the index rose by 15.6 per cent while in 1982/83, 1981/82 and 1980/81 it rose merely by 9.3 per cent, 8.2 per cent and 5.0 per cent respectively. The further acceleration of consumer prices in 1984/85 was due mainly to shortages of cereals and protein food, clothing, textiles and footwear. Unlike in previous years when the prices of locally produced commodities were a major contributory factor to the overall rise in the price index, these prices accounted only for 40 per cent of the increase in 1984/85, the remaining 60 per cent being attributable to imported items. The reversal in trend resulted mainly from the devaluation of the dalasi in 1984 which increased significantly the prices of imported commodities.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

293. The most critical areas of the Gambia's economy are the worsening balance-of-payments situation, the scarcity of foreign exchange and the increased accumulation of external payments obligations. As indicated above, an exceptionally low groundnut crop caused real GDP to decline by almost 10 per cent and seriously exacerbated the acute foreign exchange situation. Coupled with increasing external debt services, the record low groundnut export revenues in 1984/85 have produced a further deterioration of the current account deficit, and as net capital inflows were not sufficient to finance this deficit, additional external arrears have accumulated. To the extent that supplies of fuel and other essential imports have been severely disrupted as the country is unable to make debt service payments.

294. Although the Tourism sector has recovered significantly from its setback in 1981, the sector still exhibits poor linkages with the rest of the economy. There is a high utilisation of imports by the hotels and restaurants which service these

tourists and a high debt service on the investments involved; so much so that almost 50 per cent of the gross tourist receipts are used to finance imported goods utilized by the tourism sector.

295. Poor operational performance by the parastatals is also another problem. The most dramatic decline has been that of the GPMB which has virtually depleted its reserves and amassed current liabilities of over D100 million. Other parastatals have also had losses, i.e. the Gambia Utilities Corporation which recorded losses close to 50 per cent of revenue in 1984 and the Gambia Public Transport Company which experienced a drop in the number of passengers carried from over 8 million in 1980 to 4 million in 1983.

296. Over the last three financial years, the government had undertaken certain fiscal policy measures aimed at stabilisation and adjustment. There was a stand-by arrangement in force for the major part of 1984-1985, covering the period April 1984 to July 1985. Although the Government implemented all the agreed measures with the IMF - notably devaluation of the dalasi, producer price increases, reduction in public sector subsidies, increases in import duties and excise tax, a hiring freeze, increases in interest rates, etc., - it was targets for reduction in external arrears and net credit to the Government, the GPMB and the private sector that were not met. The IMF also took exception to the 5 percent increase in wages and salaries of pub civil servants in January 1984. Thus the stand-by arrangement was terminated after only one disbursement of SDR 2.63 million had been made out of the total of SDR 12.8 million. Consultations have recently resumed for a new IMF-supported comprehensive adjustment programme.

297. Several policy measures were proposed in the 1985/86 budget. On the fiscal side, the revenue-collecting machinery are to be strengthened for vigorous and prompt collection of taxes. In addition, a policy of direct cost recovery in health and higher education is to be pursued, while cost recovery is to be rationalized in the public service. In order to generate budgetary surpluses to finance public investment, an embargo is placed on the creation of new posts in government ministries and departments for the next four years. Education policy will aim at consolidation of existing primary schools and the strengthening of education at the secondary level rather than the establishment of new schools. There will be a reduction in the size of the public administration, followed by a restructuring and staff audit. There is to be a shift in the composition of recurrent expenditures, away from salaries and wages to financing the required materials and supplies especially in health, education and agriculture. Debt service obligations and arrears are to be rescheduled with the Paris-Club while only new loans on exceptionally high concessionary terms are to be secured.

III. EXPENDITURE ON GDP

298. Public consumption has been rising since 1980 from a level of 91.1 million dalasi to 122.1 million but its share in GDP had declined from 22.1 percent to around 20.1 per cent during the period. The same trend is exhibited by private consumption in absolute terms but as a proportion of GDP, a marginal annual average increase of 1 per cent was recorded between 1980-1984. Gross Fixed Capital Formation was up by 12.2 percent in 1984 over its 1983 level. Domestic savings rate is quite low and this had affected the investment level.

IV. PUBLIC FINANCE

299. Government Revenues have been on the increase since 1982/83 from D105.6 million to D151.5 million in 1983/84 and estimated at D172.3 million in 1984/85. The 1985/86 budget envisages a projected level of Revenue of D183.7 million. In view of the country's narrow tax base and low income levels, Government is strengthening the revenue collection machinery. On the other hand, public expenditure increased at an average annual rate of 19.3 per cent between 1978/79 and 1982/83. At D129.5 million in 1982/83, recurrent expenditure stood at D133.01 million in 1983/84, D189.3 in 1984/85 and projected at D202.75 million in 1985/86.

300. The government has reviewed the excesses in recurrent expenditure. The measures taken include an embargo on the expansion of the Civil Service for the next four fiscal years 1996/87-1989/90 and expenditures will now be progressively moved away from salaries/wages to financing required materials and supplies. There was less recourse to the banking system by the Government in 1984. The banking system's net claim on the private sector, including the GPMB and parastatals was on the increase however, thus leading to an expansion in overall domestic credit. Financial savings mobilized by the banking system in the form of time and savings deposits maintained its upward trend in 1984.

V. EXTERNAL TRADE, BALANCE-OF-PAYMENTS AND EXTERNAL DEBT

301. There was an increase of 31.6 per cent in export values, from D207.4 million in 1983 to D272.9 million in 1984. However, import values rose equally fast from D224.5 million in 1983 to D294.6 million in 1984, thus resulting in a slightly higher trade imbalance in 1984 compared with 1983. With the persistence of current account deficits and short-falls in capital inflows, the country's reserves have dwindled drastically to D11.3 million in March 1985 compared to D16.6 million at end-March 1984 while external payments accumulate. The scope of the parallel foreign exchange market has continued to expand, with foreign exchange receipts accruing to the banking system declining. The country is at present unable to meet any debt service payments or assure the supply of essential imports such as petroleum, rice and medicines.

302. Total external debt as at end-1985 is provisionally estimated at D274.7 million and projected at D323.2 million in 1986.

VI SECTORAL PERFORMANCE

A. Food and Agriculture

303. The value-added in the agricultural sector is estimated to have declined by about 21 per cent in 1984 compared with 1983. Total net production of food grain was estimated at 66,100 tons of grains in milled equivalent compared with 68,000 tonnes in 1983/84. Due to the prevailing drought, there was a decrease in total groundnut crop production, and the GPMB was able to market only 45,000 tonnes in 1984/85 compared with 94,000 tonnes in 1983/84, a drop of about 52 per cent. The output of cotton, which is also an export crop, registered an increase of 114 per cent

in 1984/85 over the 1983/84 level bringing total production to 2,499 metric tonnes in 1984/85 compared with [illegible] metric tonnes in 1983/84. Increases in producer prices were made in June 1984 and again in January 1985. The January increase resulted to increased producer prices for groundnuts from D500 to D620 per tonne, cotton from D672 to D700 per tonne and paddy rice from D560 to D600 per tonne.

B. Tourism

304. The growth in the tourist industry continued in 1984/85. A total of 65,492 tourists is estimated to have visited the Gambia in 1984/85, compared with 41,950 tourists in 1983/84. This represents an increase of 23,542 persons or 56 per cent. In order to cater for the booming tourist industry, the hotel bed capacity in the Gambia has risen to 4,000 in 1984/85 compared with 3,927 in 1983/84, and 3,437 in 1982/83. A total of 421,922 bed-nights was registered in 1984/85 while the average hotel occupancy was 5o.1 per cent during the same period, compared to 48 per cent in 1983/84. It is estimated that tourism provided over 2,000 direct jobs in 1984. Including indirect employment, tourism may well account for over 4,000 jobs, equal to about 15 per cent of the modern workforce. The benefits to the Gambian economy from tourism is also on the increase. The total tourist out-of-pocket expenditure by air charter tourists is estimated to have risen to D22.3 million in 1984/85 compared to D19.7 million in 1983/84.

C. Manufacturing

305. Although the manufacturing sector remains limited to groundnut crushing, baking, brewing, tanning and brick-making, considerable momentum was gained in this sector in 1984/85 due to government strategies of resource-based expansion and the provision of fiscal incentives. The handling and processing of groundnuts is being enhanced through the GPMB modernization project while industrial fisheries is due to commence shortly with capacity to process up to 13,000 tonnes of fish for export. The Second Phase of the Darsilanni Salt Project is also under way which will increase the production of salt locally.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

306. Gambia organized a Roundtable Conference in November 1984 with the assistance of the UNDP. The main objective of the meeting was to review the country's medium-term programme on Public Investment 1984/85-1987/88 and to ascertain external assistance requirements. Most of the donors in attendance endorsed the broad targets of the Public Investment programme and indicated support to various sectors. The need for increased balance-of-payments support was also stressed and a recommendation on converting Gambia's outstanding loans to grants by commercial donors, was also made.

VIII. MEDIUM-TERM PROSPECTS

307. In spite of the major policy changes which the government has made in the past three fiscal years, the imbalances that have plagued the economy have persisted. Government spending has been reduced, credit controls imposed, interest rates increased, taxes raised to higher levels and the dalassi devalued. Yet the balance-of-payments has continued to deteriorate while the foreign exchange situation has become more critical. The hope is that the package of fiscal policy measures introduced in 1985/86 will strengthen and reinforce existing policies, and assist significantly in bringing about economic recovery.

308. But the projections are that, even under optimistic assumptions (including a recovery of groundnut production to 110,000 tonnes in 1986 and no decline in world prices), the Gambia would increasingly be unable to meet current import requirements, let alone liquidate its large stock of external arrears. Consequently, there is need for comprehensive policy adjustments to rehabilitate the economy. It was this awareness that led to the setting up of a task force which drew up an Economic Recovery Programme in June 1985 containing measures to stimulate key production sectors, especially agriculture, comprehensive reforms of the public sector, reform of the exchange system, improved monetary and credit policies and financial sector rehabilitation, and revision of the public investment programme to increase its focus on tradeables and the rehabilitation of the existing infrastructure.

309. The comprehensive and far-reaching recommendations of the Task Force are presently being discussed with the IMF, and the extent to which they are adopted and incorporated in a new arrangement with the IMF may largely influence the performance of the Gambia economy over the period 1985-86. It is noteworthy that the Government, on its own, had already, in July 1985, announced several important measures outlined in the Economic Recovery Programme. These included substabtial increases in producer prices; decontrol of rice imports and of the consumer rice price; initiation of a comprehensive audit of government employment; formal restructuring of the government development bank; and elimination of fertilizer subsidies by the end of 1985.

GUINEA

I. OVERALL GROWTH PERFORMANCE

310. The lack of reliable statistics makes it difficult to carry out a quantitative analysis of the Guinean economy. The following figures are therefore given for purely indicative purposes when they relate to dates later than 1982.

311. On the basis of available estimates, and the very high rate of inflation recorded, the economic growth of Guinea would appear to have deteriorated constantly between 1982 and 1984. The GDP seemingly grew in nominal terms by 8.8 per cent a year, representing a negative grwoth rate of 4.3 per cent in real terms. Apart from stock-farming, the added values of the other sectors of the economy were negatively affected, with growth rates ranging between -21.8 per cent and -0.7 per cent These poor performances stem more from the poor organization of production, the lack of incentives to producers and poor maintenance of existing infrastructure than from unfavourable climatic conditions as is the case in some countries in the region.

312. The economic liberalization and stabilization measures taken since 1984 seem to have initiated a reversal of the trend. Thus, the GDP showed positive growth in real terms for the first time in four years, with a grwoth rate of only 0.6 per cent (that is, 5.5 per cent in nominal terms).

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

313. The problems encountered by the Guinean economy during the period under review concern directly productive sectors, administration, currency and foreign relations. Owing to a system of agricultural production characterized by highly developed collectivisation, inflexible and authoritarian collection and distribution channels and traditional cultivation techniques, it has not been possible to use more than 20 per cent of arable lands, in a country with a highly favourable rainfall and hydrography. The manufacturing sector and transport and communications have been affected by the age of the existing equipment and infrastructure, since the country's foreign reserves make it impossible for it to import spareparts and raw materials, thereby limiting its absorption capacity.

314. In public finance, it has been impossible to control State expenditure because of overstaffing in the civil service and a public sector with a chronic management deficit. This lack of funds has led the Guinean authorities to review various investment programmes and to issue an excess of money which, while totally undermining confidence in the Guinean currency, promoted a flourishing "black market" and galloping inflation.

315. To cope with this situation, the Guinean authorities proceeded to restructure the economy of the country following the political changes which took place in April 1984. The measures taken include: decollectivizing of the major branches of the economy, strengthening the nation's planning capacity, liberalizing distribution

channels, standardizing the system of exchange and prices, reducing the number of civil servants and seeking to establish large-scale macro-economic balances. The highlight of the period 1984-1985 however remains the monetary reforms introduced in October 1985.

316. The inadequacy of investment resources is still very high in Guinea, where the expansion of the black market in basic commodities and currency has entailed a complete loss of confidence in the country's development potential. The Guinean authorities, in co-operation with IMF and the World Bank, have therefore adopted the following measures: (i) devaluation of the syli by about 86 per cent; (ii) change of currency, with the reintroduction of the Guinean franc; (iii) establishment of a dual exchange rate; (iv) sale of treasury bonds with an annual yield of 35 per cent so as to reduce credit circulation; and (v) adoption of an open-door policy with regard to foreign commercial banks; etc.

317. These measures will help to: (i) reduce the trade inbalance with foreign countries by adjusting the exchange rate established for the export of minerals and the import of rice and oil products; (ii) reduce the gap between the official exchange rate and parallel rates; and (iii) guarantee the State a stand-by arrangement with IMF supported by a structural adjustment programme of $25 million from the World Bank.

III. EXPENDITURE ON GDP

318. During the period 1984-1985, final consumption represented on average of 83 per cent of GDP, with an average annual growth rate of -3.8 per cent. This contradiction stems from the 5 per cent annual drop in household consumption owing to a decline in disposable income, whereas consumption by the public sector proved impossible to reduce during this period. The domestic savings deficit has been estimated at 7.1 per cent of GDP, for an average investment rate of 14.1 per cent for a domestic savings rate of 7 per cent has been recorded.

IV. PUBLIC FINANCE

319. Public funds have contained to deteriorate, with a chronic deficit that increased from 5.2 billion sylis in 1981 to 12.6 billion and then 16.4 billion sylis in 1984 and 1985 respectively. The operational budget deficit increased from 3.5 to 6.4 billion and then 6.9 billion sylis during the same period, for an investment budget of 1.7, 6.2 and 9.5 billion sylis respectively. These deficits result from the large sums allocated to public enterprises to enable them to discharge their accumulated arrears and from the unsustainable size of the wages will. This has led to a deterioration in the Government's net position with the monetary institutions, in that the deficits have been financed exclusively from domestic loans.

320. The outstanding amount of the public debt was estimated as of 31 December 1985 at over $1.1 billion, 90 per cent of it in debts contracted from bilateral sources. Guinea's major creditors are countries of the Eastern bloc, with over 45 per cent of the total amount outstanding. Grants amount to about 37 per cent, whereas the service was estimated at 6.7 per cent and 7.1 per cent of GDP in 1984 and 1985 respectively. Recent negotiations and the measures taken in October 1985 seem to open the way for Guinea to reschedule this debt with the assistance of IMF, the World Bank and the Club of Paris.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

321. During the period under consideration, the trade balance deficit was stable at around 1.6 billion sylis because of the stagnation of exports which have been focused gradually on mineral products since the large-scale investments made in 1982. Over the same period, imports dropped by 5.4 per cent a year. The coverage rate of imports by exports is about 68 per cent.

322. On the whole, the overall balance of payments deficit increased from 7.8 billion sylis in 1981 to 10.1 billion in 1984 and then to about 14 billion sylis in 1985. This decline stems from:

323. (i) the net capital movement balance, which remained negative throughout the period, since the redemption of the external debt was far in excess of new drawing; and (ii) the decline of the terms of trade, with an annual drop of 8.6 per cent in the unit price of bauxite - which is Guinea's major export product - and a substantial increase in imports.

VI. SECTORAL PERFORMANCE

A. Rural Sector

324. This sector contributes an average of 36.2 per cent to GDP formation and employs 80 per cent of the working population. Its added value is derived as follows: (a) 64.1 per cent from agriculture, (b) 10.8 per cent from stock-farming and fisheries, and (c) 25.1 per cent from forestry. After two consecutive years of negative growth (-3 per cent and -6.4 per cent in 1983 and 1984), a very slight recovery of the primary sector was apparent in 1985, with a rate of only 0.7 per cent. The sub-sectors that were most affected by these declines were agriculture and forestry, with growth rates of -3.4 per cent and -3.9 per cent respectively.

325. Guinea, unlike some countries in the region, was not affected by drought. The drop in the added value of the agricultural sector is due to: (i) the shortcomings of the policy of collectivzation pursued; (ii) the difficulties of access to production areas and the inadequacy of storage facilities which have increased post-harvest losses; and (iii) inappropriate production techniques: traditional methods of cultivation, lack of fertilizers and spareparts in mechanized cultivation

areas. These unfavourable factors, coupled with certain diseases such as cassava mosaic, have increased the food shortage by almost 27 per cent while the share of cash crops in export earnings dropped from 75 per cent before independence to less than 1 per cent in 1985.

326. Stockfarming seems to have recovered from the adverse effects of the contagious boviac pleuropneumonia and cattle plague which hit livestock almost endemically up to 1983. Its added value increase annually by about 4 per cent between 1983 and 1985.

327. Forestry, for its part, is suffering from lack of organization. The country does not seem to have taken advantage of the tremendous forest resources, which could make a substantial contribution to the national budget. By not respecting the regementation cycles, the irrational system of exploitation has resulted in the exahustion of certain species.

B. Extractive Industries

328. Guinea has abundant mineral resources. In particular, it has two thirds of the world's bauxite reserves. However, the level of bauxite exploitation is low compared with the potential. This explains why, after the large-scale investments made in 1982, the activities of extractive industries, with an average of 21.8 per cent of the GDP, were considerably intensified. After a decline of almost 6 per cent in 1984, their added value increased by 3.1 per cent in 1985. These fluctuations arise from the capitalistic nature of the production system and from the high import component of concentration of investments, which cannot be covered regularly by available resources. In addition to bauxite, Guinea also produces various ores, namely: gold, diamonds, etc.

C. Manufacturing Industries

329. This sector, which is dominated by agricultural processing industries, is affected by: (i) difficulties in the supply of raw materials and spareparts; (ii) production costs increased by wages and the high cost of energy-generating products; (iii) the under-utilization of installed capacity, which can be as high as 80 per cent; and (iv) the lack of funds and of experience in industrial management which have made it impossible to generate or economize the foreign exchange needed to repay contracted loans. In this way, the added value of this sector, which contributes about 3 per cent of the GDP, showed a nominal growth of 6.1 per cent between 1983 and 1985 (or -3 per cent in real terms).

Other sectors

330. Buildings, public works, transport, communications, trade and administration account for 13.1 per cent, 2.7 per cent, 18.7 per cent and 4.5 per cent of the GDP respectively. Infrastructure sectors which are affected by the age of the

existing network have been penalized by inadequate investments and the low priority assigned to them. For instance, the 1981-1985 investment programme allocated only 1.9 per cent of the estimated expenditure to these sectors. At the end of the period, the housing situation became very critical as a result of the massive return home by Guineans when the new regime took over. In absolute terms, average annual growth rates were as follows: -3.5 per cent for buildings and public works; -14.5 per cent for transport and communications; -1.4 per cent for trade, banking and insurance; and -5 per cent for government services.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

331. Under the substantial New Programme of Action, Guinea had decided to organize a donors* roundtable, the background documents for which were initially reviewed in Geneva from 28 June to 1 July 1984. In the light of the recent reforms, however, it seems that preference has been given to a World Bank consultative group which is scheduled to meet at the end of 1986.

332. Since the adoption of the Substantial New Programme of Action, the flow of foreign aid does not seem to have entered on a favourable trend for Guinea, despite the statements of intention to provide assistance made when the new regime took over in April 1984. The value of foreign aid to Guinea, of which on average of 76.5 per cent consisted of official development assistance, dropped by about 21 per cent between 1981 and 1985.

VIII. Development prospects

333. Given this economic situation, growth in absolute terms is not expected to exceed 1.8 per cent in 1986. This slight recovery will be caused by the intensification of agricultural production and a new impetus given to the transport and communications infrastructure sector, which are expected to grow in real terms by 2.3 per cent and 8.9 per cent respectively. With regard to demand, the rate of investment is about 14.5 per cent, whereas the savings deficit is estimated at 1.4 billion sylis.

GUINEA-BISSAU

I. OVERALL GROWTH PERFORMANCE

334. GDP in real terms has declined by 3.7 per cent from US$139.7 million in 1980 to US$96.6 billion in 1984 and estimated to drop further by 3.5 per cent in 1985. This is mainly attributed to the sluggish performance of the agriculture sector which accounts for more than 50 per cent of GDP. The lack of rainfall in 1980-82 seriously affected agricultural production and had contributed greatly to disrupting economic activities. Agricultural investment fell short of expected results and the acquisition of external financing for industrial investment has led to a rapid growth in external debt. This has been followed by a considerable increase in recurrent expenditures and heavy losses by inefficient public enterprises.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

335. Since its independence in 1974, Guinea-Bissau has endeavoured to achieve accelerated development from an exceptionally weak and polorized socio economic base with a small monetized sector and a large subsistence sector. Guinea-Bissau's economy offers a good potential for development. The potential cultivation area for agricultural production is estimated at 990,000 hectares, over three times the present cultivated area of 300,000 ha. There is a large livestock population and forest resources covering an area of 2.6 million hectares. The annual fishing catch potential is estimated to be between 250,000 - 350,000 metric tons. Mineral resources include bauxite, phosphate and petroleum.

336. The main problems of development, therefore, is not one of limited natural resources but the inability of the Government to effectively mobilise and utilize these resources effeciently to tackle the imbalances and shortcomings which impede growth. In 1982, economy policy was dovetailed into a World Bank assisted stabilisation programme (1983-1984) which was backed by aid pledges of US$162 million of which US$70 million were secured at the UNDP sponsored round table donor's meetings in May 1984 and April, 1985. Some policy measures adopted by the government inlcuded a 50 per cent devaluation of the peso in December 1983 a freeze on salaries, reform of marketing system and the setting up of administrative structures designed to strengthen economic planning. The Government adopted a set of policy reforms in 1983/84 aimed at boosting the level of agricultural production. Producer prices were increased substantially as an incentive to farmers. Privatization of all inefficient state trading companies is underway. The government plans to combat the menace of drought by encouraging reafforestation and investing in irrigation schemes.

III. EXPENDITURE ON GDP

337. In 1984/1985, there is a noticeable decline in total resources as a result of the drop in GDP and the reduction in imports. Total consumption was 5.5 per cent more than nominal GDP. The share of private consumption was around 76.4 per cent of GDP and 29.1 per cent for public consumption. The share of ivnestment

IV. PUBLIC FINANCE

338. The 1984/1985 budget is estimated at US$[illegible] million an increase of [illegible] per cent over last fiscal year. Expenditures for salaries and debt service payments constitute the major component of budgetary expenditures. Total revenue reached US$[illegible] million in 1984/1985. Despite the improved intake of indirect taxes and curtailment in public expenditures as part of the austerity measures adopted by the government, the budgetary deficit was still very large at $[illegible].5 million in 1984/1985. However, this is an improvement over the 198[illegible] level of US$[illegible] million. Given the stagnation or slow growth of Guinea Bissau's economy, and the narrow tax base, it is difficult to expect any substantial increase in revenue even with fiscal reforms.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

339. The external trade account of Guinea Bissau show chronic deficits, as imports represented about [illegible] per cent of GDP in 1984/1985 and exports only [illegible] per cent. The structure of imports show a large share of food ([illegible] per cent) and fuel imports whereas four main cash crops (groundnuts, shrimp and fish, sawn wood and coconuts) account for about [illegible] per cent of total exports. The services and income account which was negative in 1979-1980 attained a balance in 1981/82 because of the austerity programme.

340. However the deficit showed up again in 1983/1984 as a result of increased payments for transport services and merchandise insurance. The unrequited transfers (grants) varied between $[illegible] to [illegible] million and served to finance imports and hence an ease on the trade deficit. The long and short-term capital flows stood at US$[illegible] million in 1984/1985 and helped to alleviate the current account deficit. However, the overall balance of payment deficit increased from US$22.5 million in 198[illegible] to US$[illegible] million in 1984/85, 70 per cent of which was financed by IMF credit.

341. Public external debt continued to increase due to the need to finance the country's development programmes and some component of recurrent expenditures. Total external debt is estimated at US$19[illegible] million including undisbursed debt commitments, with debt service of US$[illegible] million in 198[illegible]. The debt service reached US$17.7 million in 1984 and US$11.3 million in 1985, despite the fact that most of the country's debt (71.[illegible] per cent) consists of concessionary loans with low interest rates and long maturity period.

VI. SECTORAL PERFORMANCE

A. Food and agriuclture

342. Until 198[illegible], development efforts did not give priority to agriculture financing, instead investment was concentrated in the secondary sectors notably industry, transport, energy and telecommunication. A shift from these trend was made in 1981 and 198[illegible], consequent upon which, agricultural production picked up considerably by 6.1 and 1[illegible] per cent respectively. However, the rate of

343. Rice production is estimated at approximately [illegible] tons in 19[illegible]4 against [illegible] tons in 19[illegible]. Other cereals (millet, sorghum, maize and bulrush millet) went up to [illegible] tons as against [illegible] tons in the same period. It is estimated that the annual food deficit which was of the order of [illegible]7,500 tons between 19[illegible] and 19[illegible] went up to 4[illegible] tons in 19[illegible]4/19[illegible]5. This deficit were partly covered by international food donations.

344. The existing livestock population is sizeable with 25[illegible] head of cattle; [illegible] goats, 12[illegible] pigs and [illegible] fowl. Forests cover approximately [illegible] million hectares. The potential for wood is estimated to be 41 million m^3. With [illegible] km. of coastline and a continental shelf of 10[illegible] km., the annual fishing catch potential is estimated at 250,000 - 35[illegible] metric tons.

B. Manufacturing

345. The average annual growth rate of the manufacturing sector over the past two years was around [illegible].5 per cent in real terms, simply because some of the industrial projects (like the Cumere Agro Industrial Complex worth [illegible] billion and the vehicle assembly plant) were incompatible with the economy's absorptive capacity and had remained virtually unoperative. Agro-based industrial activities account for [illegible] per cent of jobs and 7[illegible] per cent of manufacturing output. The major constraints facing the sector include the lack of spare parts and inadequate supply of raw materials.

C. Mining and energy

346. Guinea Bissau's subsoil offers good possibilities for mining exploration. Bauxite exploration is still been studied. With respect to Petroleum, the maritime border dispute with Guinea with regard to the sharing of oil deposits lying between the towns of [illegible] and the archipelago of the Bijogos is now settled. In agreement with Guinea, the Government had contacted the US Mobil Oil Corporation to explore a [illegible] km^2 area in a joint offshore oil prospecting.

347. Before independence in 1974, the installed electricity generating capacity was about [illegible],700 KVA. It has been increased to 12,2[illegible] KVA for the Central Plant at Bissau and 4,800 KVA for two companies, i.e. CI[illegible] and CAIC. There are private generators and units throughout the country not linked to the network. This sector faces the constraints of: foreign exchange cost of imports of fuel, lubricants and spare parts; high losses in the distribution network and lack of trained staff.

D. Transport and communications

348. Guinea-Bissau has a road network of approximately 3,100 km. of which only 5[illegible]6 km. are paved. It has one international sea port with an annual cargo traffic of about 100,000 tons and 2[illegible] airports, of which one is international. In telecommunications, 46[illegible] persons are employed and an average of 1[illegible] persons per 1,[illegible] telephone subscribers with a density of [illegible].4 telephones per 100 inhabitants.

VII. IMPLEMENTATION OF THE SNPA

349. Guinea-Bissau, with the assistance of UNDP, organized a round table with donors in Lisbon, in May 1984 at which it submitted a request for external assistance amounting to US$240 million of which $11[illegible] million was for project aid and the remainder for balance-of-payments support. Total pledges fell short of this amount, with US$91.5 million for projects and US$7[illegible].4 million for balance of payments support. The Government intends to convene bi-annual meetings with its major donors as a means of improving both coordination and monitoring of aid projects. A second round table meeting held in April 1985 brought in further pledges from donors.

VIII. MEDIUM-TERM PROSPECTS

350. In the settlement of the maritime border dispute with Guinea, Guinea-Bissau was awarded only two thirds of the disputed area. If exploration of oil deposits in the area proves viable, this will have a great impact on economic growth in the medium-and long-term. The recent credit arrangement with Angola for imports of refined oil will also help to relieve the pressure on the balance-of-payments and thereby release funds for other development needs. The Five-Year economic Development Plan (1983-1986) estimated a real GDP growth rate of [illegible].5 per cent annually during 1982-1984 and 5 per cent during 1985-[illegible].

LESOTHO

I. Overall growth performance

351. The thinness of the data base precludes any meaningful discussion of Lesotho's national accounts. It is however estimated that real GDP grew by about 1 to 2 per cent in 1984. This is a marked improvement over the persistent decline of the past few years when the country suffered from a series of devastating drought. In current terms, GDP is estimated to have grown by 17.5 per cent in 1983/84 compared to 8.8 per cent in 1982/83. This growth rate was propelled by an increase of 21.9 per cent in agricultural output compared to a growth rate of 15.2 per cent in the previous year. Except for the building and construction sector which showed a marked improvement in 1983/84 all the other sectors either stagnated or declined.

352. The growth prospects for 1985 appear rather bright than 1984. The rains that came in the last quarter of 1984 have brought a welcome relief from the drought and raised hopes for better crops in the 1984/85 agricultural year.

353. Meanwhile, the introduction of the 5 per cent sale tax in December 1982 ceased to influence the Lesotho price index in January 1984. The average annual increase in the price level fell from 15.1 per cent in October 1983 to 10.6 per cent in October 1984 but rose to 13.6 per cent in April 1985. The South African annual rate of inflation rose from 10.6 per cent in October 1983 to 13.4 per cent a year later. As 95 per cent of goods consumed in Lesotho originate from South Africa, there is no doubt that the South African inflation rate has a far reaching impact on Lesotho's domestic price level. The rapid devaluation of the rand in the second half of 1984, together with the high level of South African Government expenditure means that the increase in inflation is likely to continue in 1985 and 1986.

II. Major development problems and policies

354. Lesotho's landlockedness, proximity to and economic dependence on South Africa are the main obstacles to the expansion of the country's economic activity. The direction of trade indicates that about 95 per cent of Lesotho's imports come from South Africa and 90 per cent of its exports goes to that country. About 23 per cent of Lesotho's labour force is employed in South Africa in mines and other activities. This implies that the general slow down in the South African economy, is been strongly felt by Lesotho, especially its impact on migrant remittances, and expensive imports due to the fall of the rand in dollar terms. The South African Government's repatriation of migrant workers would add to the country's already staggering unemployment problems. In addition to these problems, the drought had also had its toll on agricultural production with a resultant high food-gap. FAO had identified Lesotho as one of 24 food deficit African countries with food requirements in 1984/85 estimated at 70,000 tonnes of cereal.

355. The government's Third Five-Year Plan (1980-1981 - 1984/85) had promulgated policies to redress the deteriorating economic situation. It laid emphasis on employment generating activities, transformational investment in the rural sector and provision of basic social facilities. The public investment programme (1984/85 - 1988/89) is intended to foster policies and strategies enunciated in the earlier plan. Vacancies in the Civil Service were unfrozen in 1984 as a measure to create employment outlets. Civil servant salaries had been increased by an average of 40 per cent with effect from January 1985 on the basis of recommendations by a Government Commission appointed in September 1984.

III. Expenditure on GDP

356. In reviewing the major components of final demand, it is most revealing to look at Lesotho's total resources (GDP plus imports of goods and services) rather than GDP per se. According to preliminary estimates, total resources in 1983/84 were 2,359 million of which 18.9 per cent constituted domestic production (measured at market prices) and the balance of 81.1 per cent was derived from imports of goods and services. In 1983/84 remittances from abroad were slightly over GDP at market prices.

357. The most striking feature of the Lesotho economy as revealed by the national accounts data is that the country consumes more than it produces domestically. For instance, final consumption expenditure (private and public) was twice as much GDP at market prices. Gross fixed capital formation which accounted for 33.8 per cent of GDP in 1982/83 declined to 30.5 per cent of GDP in 1983/84.

IV. Public finance

358. The cost of Lesotho's ever-growing dependence on South Africa had led to substantial cuts in its 1985/86 budget due to the effects of a falling rand against the US dollar. Total expenditure (recurrent and development accounts) is estimated at M304.7 million as against M315 million in 1984/85. In real dollar terms this represents a massive 54 per cent cut from M257.8 million to M118 million.

359. Total revenue for 1985/86 is estimated at M403.18 million ($156.1 million) down almost 40 per cent in real dollar tems from the 1984/85 level of M314 million ($257 million). Recurrent revenue dropped by 51 per cent in real dollar terms to M239 million from last fiscal year's M231 million. Development grants and loans totalling M59.2 million are budgeted to recurrent revenue leaving a deficit before borrowing at M104.85 million, an increase of 12 per cent over the 1984/85 deficit. The deficit is expected to be financed from commercial bank borrowing set at M51.66 million and concessionary loans of M53.3 million.

V. External trade balance of payments and external debt

360. Merchandise trade in Lesotho is grossly disproportionate. While exports increased from M31.6 million in 1983 to M35 million in 1984 imports rose from M580 million to M654 million over the same period. Consequently, the deficit in the trade account bulged from M548.4 million in 1983 to M619 million in 1984. This deficit was however more than compensated by migrant workers' remittances which rose from M470 million in 1983 to M530 million in 1984. Unrequitted transfers also eased the strain on the current account as they rose from M71.4 million to M108 million over the same period. Consequently, the deficit on the current account amounting to M6.9 million turned to a surplus of M31 million.

361. Long-term capital inflow declined from M31 million in 1983 to M27.2 million in 1984. Over the same period short-term capital inflow which amounted to M4.2 million in 1983 deteriorated to a negative M52.3 million in 1984. The overall balance of payments position showed a deficit of only M15.2 million in 1984 compared to M29.5 million in the previous year.

362. Meanwhile, the Loti which is pegged at par with the South African Rand suffered a major depreciation in 1984. By June 1984, the rand had dropped further against the US dollar to 73.54 US cents. In September the exchange rate went down sharply to 59.8 US cents per Loti. This drastic fall in the value of the rand (and the Loti) came about as a result of the low price of gold, the strengthening of the US dollar and the weakness of the South African economy.

VI. Sectoral performance

A. Food and agriculture

363. The main crop production in 1984 except for beans, was relatively better than 1983. The prospects of agriculture production in 1985 are rather bright. The rains that came in the last quarter of 1984 and the third quarter of 1985 have raised hopes for better crops in the 1984/85 agricultural year. Apart from the devastating drought, agriculture suffers severely from erosion and overgrazing.

364. To partly ameliorate this problem, the Lesotho Highlands Water Project will soon be instituted. The dimension of the project is impressive. The initial feasibility study started in 1983 and the final feasibility study is due for completion in April 1986. Its benefits will include irrigation of arable land, water supply, fish production, the provision of roads in previously inaccessible parts of the Maloti Mountains, and the employment of an average 2000 people during the construction of the Project. The costs of land lost due to flooding and the resettlement of people will be small relative to the potential benefits, because of the remoteness of the mountains and lightly populated nature of the areas involved.

B. Manufacturing

365. Wool processing is the principal manufacturing activity and the decline in animal production during the drought years had had an adverse impact on manufacturing value-added. The contribution of the sector to GDP declined from 4.6 per cent in 1981 to 4.1 per cent in 1982. In 1983/84, about 12 small scale industrial projects were established with the assistance of the Lesotho National Development Corporation (LNDC) as a means of diversification and creation of employment opportunities.

VII. Implementation of the Substantial New Programme of Action

366. Lesotho organized a Roundtable meeting in May 1984 with the technical assistance support of UNDP at which the government presented a public investment programme costing M490 million to its development partners. Total net ODA Flows to Lesotho from DAC countries, Multilateral Financing Agencies and OPEC amounted to $101 million in 1981, $89.6 million in 1982 and $101.3 million in 1983. Programme implementation has been constrained due to this low level of external assistance flows and the inability of the government to mobilize domestic resources on account of low income levels at home and dwindling migrant remittances from South Africa.

367. The EEC is to provide aid totalling ECU 41 million under Lome III which will include ECU26.5 million in grants; ECU 10 million in special loans and ECU4.5 million in Risk Capital. The aid is allocated for use in rural and agricultural development and the highlands water scheme. There is a grim prospect in external assistance and it is estimated that total development aid in the form of grants will fall by 40 per cent in real dollar terms to M59.2 million from the 1984/85 level of M47 million. However, within the context of the public investment programme submitted to the donors' conference, it is hoped that major bilateral donors and multilateral financing agencies, in particular the IMF and IBRD, will step up support to ensure the successful execution of the projects over the 1984/85 - 1988/89 period.

VIII. Medium-term prospects

368. The main features of the Lesotho economy has hardly changed since independence, and the main source of employment and earnings for Bosotho men is still the mines of South Africa. The country has no independent fiscal or monetary stance which is primarily dictated by the South African authorities. The fact that consumption expenditure has been steadily increasing faster than GDP and that fixed capital formation has not been rapidly increasing is a serious cause for concern. This in essence suggests the reformulation of past development strategies to put the economy on a self-sustaining basis. The Lesotho Highlands Water Project will partly ameliorate the serious lag in agricultural production and the problem of unemployment and other ancilliary services. Judging by the sufficient rainfall in late 1984 and 1985 it is safe to assume that real GDP will definitely grow faster in 1985 than in 1984.

MALAWI

I. OVERALL GROWTH PERFORMANCE

369. Malawi attained a respectable GDP growth rate of 7.6 per cent in real terms in 1984 compared to a real GDP growth rate of 4.5 per cent in 1983. This growth was propelled by an increase of [illegible] per cent in output from the agricultural sector compared to 4.2 per cent in the previous year. What is significant about this increase is that most of the increase in agricultural output emanated from the small holder sector which increased its output by 7.0 per cent. The manufacturing, utilities and the financial sector grew at 3.3, 4.5 and 5.3 per cent in 1984. Very strong growth rates were recorded for the distribution and communications sector where output is reported to have grown at [illegible] and 11.1 per cent respectively.

370. The supply of goods to the domestic economy increased by 14 per cent in 1984 over 1983 while nominal GDP increased at 13.[illegible] per cent over the same period. The balance on goods and non-factor services changed from a deficit of K[illegible] million to a surplus of K[illegible].7 million in 1984. This is mainly attributable to increased earnings from exports and improved terms of trade in 1984 compared to 1983. Growth and output in 1985 will be affected by the expected reduced output of the tobacco sector and related sectors that depend on tobacco crop. Consequently, the economy should record a positive but reduced growth of 3.[illegible] per cent in 1985.

371. Meanwhile, having accelerated to 1[illegible].4 per cent in 1984 the consumer price index decelerated to [illegible] per cent in 1984. The high rate of inflation in 198[illegible] was mainly induced by the use of the more expensive road transport for most of Malawi's imports. The opening of the Northern corridor to international traffic may also have contributed to dampen the inflationary pressure. In addition, the additional tonnage that is being transferred from rail to overland road transport was among the major factors preventing price escalation.

II. MAIN DEVELOPMENT PROBLEMS AND POLICIES

372. The recessionary tendencies that dulled economic growth in Malawi between 1979-1981 has given way to a record growth level of 7.6 per cent in 1984. The impact of the drought has also been alleviated as prolonged rains were reported in the major growing areas resulting in an increase in small holder agriculture output of almost 7.0 per cent. The major problem facing the economy is transport problems which has affected the smooth flow of exports and imports of essential inputs and spare parts. Since Malawi is a landlocked country, the resolution of the problem depends heavily on its transit neighbours, particularly Mozambique which is faced with serious internal civil strife. The Government is, however, pursuing inter-connections of its road and rail links with its neighbours within the framework of SADCC. On the development account for 1985/ 31.3 per cent of the expected expenditure is earmarked for the transport sector alone.

373. The Government's price liberalization programme of industrial goods is now limited to only [illegible] commodities. The purpose of the price liberalization programme is to improve production efficiency and provide enough incentives for diversification in the production of both agricultural and industrial goods.

374. To broaden the tax base, the Government had announced the following new measures with effect from April, [illegible]

(i) Land rent is to be increased from [illegible] per acre (K7.41 per hectare), to K10 per hectare, per annum. The Commissioner for Lands has been instructed to enforce the collection of this fee, and to effect land seizure, upon default of payment.

(ii) 1[illegible] per cent of all receipts from rental of properties, from royalties, from fees and commissions, and from supplies of a value of over [illegible] sold at any one time to institutions (other than foodstuff) under tender or any other arrangement, will be withheld as tax.

(iii) [illegible] per cent of all reciepts for supplies of foodstuff, of traders and institutions from sales of tobacco and other farm products of a value in each case of over [illegible] will be withheld as tax.

(iv) [illegible] per cent of receipts on the payment for carriage and haulage, payment for contractors and sub-contractors, receipts from public entertainment, will be withheld as tax.

(v) Payment of income tax other than Pay-as-You-Earn will be required to be made within thirty (30) days from the end of the financial year of each tax payer.

(vi) An amendment is being made to the legislation affecting the taxation of insurance business in Malawi. The purpose of this amendment is to provide taxation formula for life assurance business.

III. EXPENDITURE ON GDP

375. Overall, consumption expenditure in 1984 increased at about the same rate as nominal GDP at [illegible] per cent. However government consumption increased by only 14.2 per cent in 1984 over 1983. Private sector consumption increased faster than nominal GDP and it was entirely due to higher levels of consumption by the small holder sector increasing by an estimated [illegible]7.3 per cent in 1984 over 1983 following the sizeable increases in income in both years. Gross Fixed Capital Formation declined from 14.4 per cent of GDP in 1983 to 13.1 per cent in 1984. The national savings ratio to GDP increased from 11.3 per cent in 1983 to 12.7 per cent in 1984, suggesting that foreign capital financing was not significant in 1984 as in 1983. In fact, this component financed only [illegible] per cent of total investment in 1984 compared to 54.3 per cent in 1983. Consequently, its ratio to GDP declined from 1[illegible].4 per cent in 1983 to 3.7 per cent in 1984.

IV. PUBLIC FINANCE

376. The outturn for the 1983/84 budget was much worse than had originally been envisaged. Revenue collected dropped to K[illegible] million compared to the revised estimate of K2[illegible] million for 1983/84. Expenditures increased to K315.[illegible] million from the estimate of K[illegible].4 million which is a decline of [illegible].9 per cent. This resulted in a deficit on the revenue account of K77.[illegible] million.

377. The development account for 1983/84 registered a poor performance as a result of sharp reduction in external loan receipts. This receipt dropped from K[illegible]5.2 million to K7[illegible] million. Development expenditure declined to K143.2 million from a Revised estimate of K140 million resulting in a deficit in the Development Account of K37.[illegible] million. The combined overall deficit for 1983/84 stood at K115.5 million or [illegible].4 per cent of GDP.

378. The net Revised Expenditures for 1984/85 on Recurrent Account increased from an original estimate of K224.4 million to K275 million. The estimate of net revenue of K[illegible] million in 1984/85 had been exceeded by a sum of K1[illegible] million due to an advance payment of tax by the tea industry. In the Development Account, receipts from grants and loans were estimated at K1[illegible]4.3 million compared to a total development expenditure of K164.7 million. The combined deficit on the 1984/85 Recurrent and Development Accounts before financing is K106.7 million and after receipts from external assistance a deficit of K53.[illegible] million remains unfunded.

379. Out of a development expenditure of K15[illegible].4 million for [illegible] 31.3 per cent is earmarked for the transport sector followed by 15.7 per cent for the agriculture sector and 13.[illegible] per cent for education and culture.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

380. Following an acceleration in export earnings coupled with some restraint in the growth of import payments, Malawi registered a surplus in its visible trade account. Total exports grew by a substantial 5[illegible] per cent due to favourable tea prices. In contrast, import payments were restrained partly due to the devaluation of the Malawian Kwacha and severe transport bottlenecks that made imports costly as a result of alternative routes such that import on a c.i.f. basis increased by 16 per cent. The non-factor services registered a deficit of K17[illegible].1 million in 1984 compared to K14[illegible].7 million in the previous year.

381. The current account balance showed marked improvements and the deficit improved from K1[illegible].4 million in 1983 to K4[illegible] million in 1984. Net long term capital inflows increased in 1984 to K94.[illegible] million from the 1983 level of K51.1 million. Consequently, the net foreign assets of the banking system rose to K91 million compared to a decline of K54 million in the previous year. Overall balance of payment deficit stood at K54 million.

382. In 1981/82, Malawi had a total debt burden of K[illegible].21 million of which 17.[illegible] per cent was for external debt servicing. The Government entered into negotiation with external lending institutions in 1982 on debt rescheduling which resulted in a 50.4 per cent drop on external debt servicing in 1982/83 from K5[illegible] million to K[illegible].3 million. Consequently debt service ratio declined from 24.[illegible] per cent in 1981/82 to 15.5 per cent in 1982/83.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

383. Despite its rather late start, the rainfall distribution in 1983/84 was quite satisfactory. Fertilizer uptake was relatively high although its distribution was uneven. However, seed packages were well distributed and there was less incidences of serious diseases. The result of these developments has been an increase of [illegible] per cent in output from the agricultural sector in 1984 compared to 4.2 per cent in the previous year. Most of this increase in agriculture output emanated from the small holders sector which grew by a healthy 7.[illegible] per cent whereas the Estate sector declined marginally. The Agricultural Development and Marketing Corporation (ADMARC) purchased a record quantity of 37[illegible] metric tonnes of agricultural produce in 1984 at a cost of K73 million as compared to a quantity of 2[illegible],[illegible]65 metric tonnes valued at K4[illegible] million in 1983. In 1984 ADMARC purchases of maize rose appreciably from 244,000 in 1983 to 2[illegible],400 tonnes in 1984 - an increase of 21 per cent.

384. The 1985 maize production is forecast to decline, because prolonged rainfall in some parts of the country was causing yellowing of the already good crop. In addition, the hectarage under maize has slightly decreased compared to the previous season because farmers are shifting to more remunerative crops. Tobacco that was bought by ADMARC more than doubled compared to the previous season. There were more growers who registered to grow tobacco in 1984 than in 1983 due to price incentives. At the London Auction Floors the average price for tea more than doubled. The decision by India - one of the major tea producers - to cut back tea exports so as to satisfy local demand had a far reaching impact on prices.

385. On the whole the monetary value paid to farmers increased dramatically by 56.[illegible] per cent from K46.[illegible] million in 1983 to K72.8 million in 1984 largely due to increases in producer prices of most crops which were announced by the government prior to the growing season.

B. Transport and communications

386. Malawi is landlocked and its external trade performance is heavily dependent on transit route through neighbouring countries, notably the Mozambican ports of Beira and Nacala. Disruptions on these routes have had a considerable impact on

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the expansion of Malawi's economic activity over the years. The freight traffic distribution between the various transport modes indicated that road is the principal means of moving goods. Hence during 1984, construction and maintenance works were carried out on a large number of road projects. The total road network in 1984 is estimated at 11,[illegible] km. of which [illegible] km. is bitumen, [illegible] km. gravel and [illegible] km. earth. Rail traffic has declined considerably since [illegible] on account of a drop in rail handling of imports and exports because of disruptions on the rail links.

387. In the area of telecommunications, demand for telephone services increased by 5.5 per cent in 1984 while connections rose by 6.45 per cent representing 18,251 connections compared to 17,145 in 1983. Telex connections rose by 8.98 per cent representing a total of 449 as compared to 412 in 1983.

C. Manufacturing

388. The index of manufacturing output for 1984 showed a minimal decline of 0.3 per cent over 1983, compared to a remarkable increase of 15.0 per cent in 1983. This is largely attributed to a fall in production of domestic market oriented industries. In contrast to a fall of 3.2 per cent recorded in 1983 for the export industries subsector, 1984 showed a phenomenal increase of 30.1 per cent indicating a rapid growth in the activities of Export Industries which mainly process agricultural commodities for export.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

389. The Ministry of Finance is the national focal point for the monitoring of the implementation of the SNPA. In Malawi, the Government, with the assistance of UNDP, held an International Conference of Partners in Economic Development in Blantyre from 27-29 February 1984. The main objective was to initiate a policy dialogue with donors on the external financing requirements for the country's public investment programmes and projects for 1984/85 - 1988/89 costing some K1,329 million.

390. Concessional assistance to Malawi has been dwindling since 19[illegible] and the country had to resort to heavy commercial borrowing on the International Financial market between 1981 and 1984 to finance development programmes. A follow-up sectoral roundtable with donors was to have been convened in 1985 with the aim of making concrete execution arrangements for projects which donors had indicated interest in at the main Roundtable Conference. The fact that Malawi had worked closely with the World Bank and the IMF on the country's stabilization and structural adjustment programmes and had performed satisfactorily in meeting the Fund's conditionalities, would create a favourable internal climate for increased aid flows during the implementation period of its public investment programmes (1984/85-1988/89).

VIII. MEDIUM-TERM PROSPECTS

391. Implementation of the 1974/75 development programme was adversely affected by the shortages of materials, equipment and fuel caused by severe disruption of Malawi's traditional routes to the sea. Despite these setbacks, however Malawi attained a respectable growth rate in real GDP of 7.6 per cent in 1974. Indeed in comparison with other developing countries this is a remarkable achievement of economic growth. Growth in output in 1975 will be affected by the expected reduced output of the tobacco sector. Consequently, the economy should record a positive but reduced growth of 5.4 per cent in 1975.

MALI

I. OVERALL GROWTH PERFORMANCE

392. The year 1984 was marked in Mali by disturbances in economic activities arising from the expectations of inflation pressures following Mali's integration into WAMU. This situation was aggravated by poor climatic conditions and the difficulties in reconciling the objectives of the various IMF-supported structural adjustment programmes aimed at reducing domestic demand and seeking a foreign trade balance and those of the 1981-1985 five-year plan focused on a higher economic growth rate based on increased consumption.

393. Thus the 1.3 per cent GDP increase in real terms (as against 1.1 per cent in 1983) was caused only by the favourable economic situation of the secondary and tertiary sectors, whose real growth rates were 5.2 and 3.4 per cent respectively Expressed in 1982 prices, the GDP appears to have increased from CFAF 356.5 billion to CFAF 361.1 billion between 1983 and 1984. The per capita GDP thus dropped from CFAF 49,300 to about CFAF 46,200 between 1982 and 1984. On the basis of available estimates for 1985, there should be a slight recovery in economic growth recovery compared with 1984. The GDP expressed in 1982 constant prices is expected to increase at a rate of 2.04 per cent, basically as a result of the fresh impetus given by the tertiary sector which is expected to show a growth rate of 10.3 per cent owing to a strong revival of trade-related activities. Over the same period, the secondary sector is expected to grow by 1.6 per cent, and the primary sector to decline by approximately 7.6 per cent owing to the livestock reconstitution policy and to a considerable drop in cattle productivity despite a slight improvement in climatic conditions.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

394. The major problems which caused these performances arise from: (i) an organization of the economic machinery that is characterized by a high degree of centralization and poor organization of economic management; (ii) the imbalance in public finance and external trade; (iii) the low domestic investment financing capacity; and (iv) the shortcomings of the agricultural sector with their inherent effects, such as: poor climatic conditions which have aggravated the food shortage, caused a drop in export earnings and paralysed agro-industries, as well as the unwieldy nature of the agricultural produce collection and marketing channels. Thus public funds have been in constant decline as a result of an over-staffed civil service and of unprofitable State corporations and enterprises which leave few opportunities for the conduct of private initiatives.

395. The solutions to these problems are included in the recovery policy implemented with the support of IMF. A great effort has been made towards decentralization: in agriculture, through village associations ("tons"); in industry and trade, through assistance to small and medium-sized enterprises and encouragement to invest outside already industrialized areas; in planning, through the consolidation of regional development structures. The food strategy submitted to investors in December 1982 is aimed at providing the people of Mali with a balanced and adequate diet at the lowest cost, while the liberalization of the cereal market is intended to promote agricultural production, especially through the use of a counterpart fund whose resources derive from the sale of part of the food aid to carry out activities and structural reforms. Solving the serious financial crisis is also one of the priorities, given the heavy external debt whose servicing in 1985 exceeded 22 per cent of export earnings from goods and services.

396. Mali's entry into WAMU, by obliging the country to abide by the BCEAO credit rules, served as a guarantee for the stringent monetary policy sustained by a recovery of public finance through budget cuts. The increase in interest rates, the abolition of the system of financing the treasury through the accounts of its correspondents (post office Giro accounts, in particular) and the restoration of confidence in the banking system have been used to mobilize domestic savings. Lastly, the public sector, which showed a deficit, was restructured by opening the capital of State corporations and enterprises to the national and foreign private sector.

III. EXPENDITURE ON GDP

397. An analysis of the structure of demand shows the increasing dualism of the Malian economy: a large subsistence sector (with a self-consumption rate which in 1984 reached 48 per cent of total final consumption) juxtaposed with a modern sector that is highly dependent on the outside world. During the period 1981-1984, final consumption represented an annual average of 94.8 per cent of the GDP, whereas the investment rate and the resource shortfall expressed as percentage of GDP stood at 24.6 per cent and 20.3 per cent (at 1982 prices). In real terms, a decrease in final consumption, investments and the resource gap occurred in 1984, with rates of -0.1, -0.7 and -15.9 per cent respectively compared with 1983. In 1985, there is likely to be a slight imrpovement, in real terms, in investment and savings rates which are expected to increase to 24.3 and 8.5 per cent (as against 21.1 and 4.4 per cent in 1984). The resource gap is also expected to reduce from CFAF72.2 billion to CFAF58.3 billion as a result of a drop of 12.0 per cent in imports and a virtual stagnation of exports at their 1984 level.

398. These trends are attributable to: (i) the low disposable household income; (ii) the low domestic financing capacity of the Malian economy; (iii) the high correlation between the country's import expacity and its propensity to invest. Coupled with the low growth rate of GDP in real terms, these trends show the difficulties encountered by the Malian authorities in recounciling the growth

objectives of the 1981-1985 Five-year Plan, set at 5 per cent for the GDP, .4 per cent for final consumption and 2.9 per cent for domestic savings, with the objectives of reducing expenditure on GDP, promoting savings and increasing the rate of investment as laid down in the strucutral adjustment programmes implemented with the assistance of IMF. The latter seem to have underestimated the rigidity of the production strucutre, which has not always reacted favourably to price incentives.

IV. PUBLIC FINANCE

399. A decrease in the tax burden took place over the period 1981-1985: The budget deficit was reduced from CFAF 5.1 billion in 1981 to 3.5 billion in 1984, and then CFAF 2.2 billion in 1985. These results were obtained owing to the stringent control in expenditure by freezing wages and implementing a policy of selective recruitment into the civil service, thus bringing the growth rate of staff costs down to 7.3 per cent a year. With regard to revenue, there was a considerable improvement in tax collection rates, which increased from 78 per cent in 1981 to 98 per cent in 1985, with a revenue growth rate of 8.7 per cent a year CFAF 50.8 billion in 1985 as against CFAF 36.5 billion in 1985. This incipient recovery was however slowed down by the payment of State-public enterprise arrears accumulated up to 1981. This debt consolidation more than quadrupled the financing needs of the State between 1981 and 1984 from CFAF 1.5 billion to CFAF 8.5 billion, with a subsequent drop to CFAF 2.2 billion in 1985, in which year the investment budget, with a growth rate of 11.1 per cent, amounted to CFAF 4 billion.

400. Mali's monetary situation was marked by its entry into WAMU with effect from 1 June 1984. In 1984, there was a decline in major monetary aggregates compared with their level in 1983: decline of domestic credit by 25 per cent (CFAF 140.6 billion as against CFAF 187.5 billion) owing to the low level of economic activity and the economic reorganization policy, which provides for credit control and a selective policy for the granting of loans; the monetary institutions net foreign liabilities decreased from CFAF 75.1 billion to CFAF 57.1 billion solely because of a drop in the net foreign assets of the Central Bank's activities by about 18.8 per cent. As for money supply, it increased by 8.5 per cent, standing at CFAF 97.4 billion with a reduction of 15 per cent in credit circulation to the advantage of bank deposits.

V. EXTERNAL TRADE BALANCE OF PAYMENTS AND EXTERNAL DEBT

401. Since 1983, there has been a slowdown in the growth rate of the trade balance deficit, which dropped from 17.1 per cent in 1983 to 14.3 per cent in 1984 and then to 8.8 per cent in 1985, corresponding to respective deficits of CFAF 71.8, 82.1 and 89.3 billion CFAF and to imports coverage of approximately 47.5 per cent. This trend results from the increase of exports by more than 25 per cent in 1984 compared with 1983, owing to a tremendous increase in cotton exports (52.7 per cent) which account for about 54.4 per cent of total exports, and this in spite of a 10 per cent drop in the export of stock-farming produce 31 per cent of the total and the virtual disappearance of the groundnut products components. In 1985, exports maintained their 1984 level and structure. Over the same period, imports increased by 9.5 per cent as a result of the increase in food commodity imports in 1984 (+87.8 per cent) with a slight increase in 1985 by 1.9 per cent over the 1984 level

This situation was prejudical to other imports, especially of capital goods (-11.6 per c the reduction in which led to cutbacks in investment programmes. Though in the process of being stabilized or even reduced, Mali's trade balance deficit, coupled with inadequate domestic savings for investment purposes, shows the country's high financial dependence on the outside world.

402. World market prices of the major products traded between Mali and the outside world increased by 6.7 per cent for imports and 12.8 per cent for exports. Price increases were as follows: 15.8 per cent for cotton fibre; 11 per cent for livestock; 15.9 per cent for food commodities; 13 per cent of which was for cereals. Only the prices of a oil products decreased, by -2.2 per cent.

403. Where the balance of payments is concerned, its overall balance moved from a deficit of CFAF 10 billion to a surplus of CFAF 56.6 billion, attributable to the funding of the debit balance of CFAF 75 billion in the operational account with the French treasury. In 1985, the surplus is expected to become a deficit of CFAF 9.8 billion, which would be reduced to CFAF 4.8 billion with the rescheduling of the external debt, the book value of which will be equivalent to a net contribution of CFAF 1.9 billion, and the drawings in SDRs with IMF in the amount of CFAF 3.1 billion.

404. In addition to these transactions, the major contributors to the favourable trend of Mali's balance of payments were: (i) the stabilization of the current payment deficit around CFAF 3.7 billion owing to a considerable flow of net unrequited transfers (+23.8 per cent in 1984 and 21.5 per cent in 1985) which absorbed an annual average of 65.2 per cent of the balance of goods and services deficit: (ii) net capital movements, which increased from CFAF 27.1 billion in 1982 to CFAF 93.4 billion in 1984 and which, on the basis of an increase in the State's net drawings on external loans and the funding of the operational account, should stand at approximately CFAF 24.6 billion in 1985.

405. The Malian Government's external debt outstanding as of 31 December 1985 was expected to be CFAF 584.1 billion as against CFAF 462.1 billion a year earlier, producing debt service payments of CFAF 21.5 billion, the equivalent of 22.3 per cent of export earnings from goods and services, and 28.6 per cent higher than the service paid in 1984. Among the factors that caused Mali's high indebtedness was the 31 per cent depreciation of the French franc against SDR since 1981, which brought down the CFAF by reason of the fixed CFAF-FF parity; Though heavy, this debt remains very favourable, as the loans contracted on international market terms represent less than 0.3 per cent of the total.

VI. SECTORAL PERFORMANCE

A. Primary sector

406. This sector contributed about 47.4 per cent to GDP formation dominated by agriculture and stock-farming which account respectively for about 16.5 and 17.7 per cent of GDP, it suffered from the adverse effects of drought which reduced the area of arable and grazing land. Since 1982, its value added has reduced constantly, by 7.7 per cent in 1983 and 1.4 per cent in 1984.

407. The most significant decreases occurred in the case of food crops, with the production of millet and sorghum dropping by 15.5 per cent and 21 per cent respectively while rice production remained at its 1983 level. This gave rise in 1984 to a shortage of cereals estimated at 330,000 tons. For paddy rice and millet-sorghum, the cultivated area decreased by 8.7 and 40 per cent respectively, due in the former case to the difficulties in expanding irrigated areas and inadequate flooding of the River Niger, and in the latter case to the inappropriate nature of cultivation techniques.

408. The trend in cash crop production, dominated by cotton and groundnuts, was uneven. Cottom showed an increase, due to the improvement of output/ The tonnage harvested rose from 97,700 tons in 1982 to 141,000 tons in 1984, with cultivated areas increasing by only 6 per cent a year. As for groundnuts, the decline in world market prices which affected producer prices seems to have been more decisive in the decline of production recorded (almost 30 per cent between 1980 and 1984) than climatic conditions, thereby causing processing units like SEPAMA, which is basically oriented towards the world market, to stop production. During the period under review, the production of sugar-cane increased by 23 per cent compared with the 1983 level.

409. Mali's livestock, which was affected by considerable decreases in numbers up to 1983, recovered in 1984 especially for cows and sheep and goats which increas by 0.2 and 4.7 per cent respectively. The value added of stock-farming thus rose by 11.5 per cent in real terms, as against a drop of 12.5 per cent in 1983. Over-grazing has however continued to take place around water points, thereby causing a steady deterioration of the vegetation.

B. Secondary Sector

410. In all, the secondary sector accounts for 15.2 per cent of GDP. After an increase of 5.2 per cent in its value added in 1984 compared with 1983, this sector benefited from the good cotton seasons and the broadening of the base for the processing of this product as a result of the transformation of SEPOM into a cotton processing unit and the revitalization of the textile industries. The growth rate was down compared with that in 1983 (7 per cent) because building and public works which provide an average of 40 per cent of the value added of the secondary sector, experienced zero growth due to the pronounced decline in building materials production and the country's low import capacity. With the recovery in sugar-cane production, the sugar tonnage for 1984 were 10.200 tons, as against 6,000 tons a year earlier. Lastly, it should be noted that despite the entry into operation of the Selingue dam and the implementation of a recovery plan at Mali's power corporation ("Société énergie du Mali"), the situation of the electricity sector has deteriorated, with the value added decreasing by 12.3 per cent

411. The mining industry is still poorly developed in spite of encouraging signs of the existence of oil, uranium, iron, bauxite and gold. Exploitation of the last two products has already started in the regions of Sourem for the first and Kalana for the second, with production estimated in 1984 at 22,000 and 1,800 tons respectively. As a whole, the secondary sector should have a growth rate in real terms of 1.5 per cent in 1985.

C. Tertiary sector

412. This sector is dominated by trade and government services. It showed a growth rate of 3.4 per cent in real terms in 1984 and 10.3 per cent in 1985, as against 5.9 per cent in 1983. The slowdown from 1983 to 1984 mainly from the decline in the activities of the transport and communications sector, as well as from the difficulties in reviving trade following the reorganization of the public sector which monopolized most sub-sectors.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION (SNPA)

413. As mentioned above, the rise in unrequited transfers from CFAF 38.3 billion in 1982 to CFA 73.9 billion in 1985 was brought about by a substantial increase in the same of grants from foreign bodies and Governments. These flows have increased since the first donors' conference for the economic recovery and development of Mali held in Bamako in December 1982. The foreign aid granted to Mali for government development projects should therefore amount as of 31 December 1984 to CFAF 720 billion, out of which CFAF 90.7 billion is considered as the unexpended balance of agreements signed before 31 December 1980 and CFAF 3,813 billion as effective acquisition of funds for the period 1981-1984. To cover all the requirements for the financing of the 1981-1985 five-year Plan, a flow of CFAF 1,023 billion is expected in 1985. The effective sectoral appropriation of these funds exceeded the estimates for the rural economy (32.3 per cent as against 29.3 per cent) and infrastructure (27.4 per cent as against 20.3 per cent), whereas achievements were lower than forecast in the secondary sector (31 per cent as against 35.1 per cent) and human resources (9.3 per cent as against 14.7 per cent). To these amounts should be added non-project aid, which amounted to CFAF 86.5 billion broken down as follows: (i) 41.8 per cent as balance of payment aid, 96.6 per cent of it in the form of loans; (ii) 35.7 per cent as emergency aid, all of it in grant form; (iii) 20.6 per cent as food aid; and (iv) 1.9 per cent as other non-project aid.

414. The share of bilateral aid in non-project aid dropped from 36.4 per cent in 1981 to 30.3 per cent in 1984, and is expected to rise again to 36.3 per cent in 1985; in the same years, this rate was 58.1, 56.9 and 51.4 per cent respectively for direct aid to projects. Lastly, it should be noted that out of the CFAF 94.9 billion received between 1983 and 1985 for the financing of projects submitted to the first donors' round table, CFAF 55.5 billion (or approximately 58.5 per cent) were disbursed.

415. Still within the context of the implementation of the Substnatial New Programme of Action, Mali organized a second international donors' conference from 2 to 5 December 1985. Discussions on the twelve priority projects were held on food strategy, [illegible] and financial recovery measures

on the emergency aid programme and mechanisms for financing essential initatives. However, donors were unable to fix the exact amount of their aid, owing to the current state of preparation of the projects submitted. The total amount required to finance these projects should stand at about CFAF 50 billion. To consolidate follow-up mechanisms, the conference set up sectoral committees corresponding to the four areas mentioned above. A consultative meeting is also scheduled to take place between Mali and donors in order to update the programme of essential initiatives and to ensure proper co-ordination of the aid through rapid and regular consultation.

VIII. MEDIUM-TERM PROSPECTS

416. All these measures seem to have generated some recovery of the economic situation in Mali. This favourable trend was also fostered by the improvement of climatic conditions in 1985, which should be marked by a recovery of activities in the rural sector. A GDP growth of 3.2 per cent in real terms is expected in 1986, with an increase of 4.8, 2.4 and 1.8 per cent in the value added of the primary, secondary and teritary sectors respectively. The external payment deficit is expected to be reduced to approximately CFAF 700 billion.

NIGER

I. OVERALL GROWTH PERFORMANCEE

417. The performance of the economy of Niger was affected in 1984 by the decline in the world market prices of uranium and drought, which on the one hand hampered the expansion of the buildings and public works sector by reducing the country's import capacity and on the other hand worsened the food situation, paralysed agricultural processing industries and substantially reduced the added value of the stock-farming sub-sector, which contributes an average of 38.6 per cent in the formation of the added value of the primary sector. While public funds declined, the imbalances in foreign trade tremendously increased. This year of economic stagnation was followed by a year of normal rainfall which, in spite of the continuing crisis in the uranium sector, should be marked by some economic recovery.

418. The growth of the GDP was negative in 1984, even when expressed in nominal terms. It was estimated at -8.8 per cent, as against an annual average of 7.9 per cent between 1980 and 1983. In 1985, the growth rate was estimated in nominal terms at 14.6 per cent. The growth rate of the primary sector, which was -13.9 per cent in 1984 (as against 10.8 per cent between 1980 and 1983), appears to have risen to 23.8 per cent in 1985. In absolute terms, this trend corresponds to a growth rate of the GDP - expressed in terms of constant factor costs of -14.3 per cent and 11.6 per cent in 1984 and 1985 respectively as against an annual average of 0.8 per cent between 1980 and 1983. GDP dropped from CFAF 521.1 billion in 1983 to CFAF 446.5 billion in 1984 and then rose to CFAF 498.2 billion in 1985.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

419. Apart from the fragility of the agricultural sector, which is exposed to rainfall uncertainties, the major problem facing the authorities of Niger is the crisis in the uranium sector. Upto 1980, uranium contributed an average of 30 per cent of the State's revenue and over 84 per cent of export earnings. This source of revenue thus provided funds for the substantial investment programme which resulted in the establishment of major basic socio-economic infrastructures and ensured a foreign trade balance. Since 1981, however, the reduction of nuclear power programmes by industrialized countries has brought about a considerable decline in world uranium demand. Uranium's contribution to budget revenue therefore dropped to approximately 13 per cent, while it now accounts for only 72.6 per cent of export earnings. This situation jeopardized investment programmes which were drawn up to curb vulnerability of the rural sector (building of dams, dykes; drilling of wells; integrated agriculture and stock-farming projects) and to broaden the industrial base by giving a new impetus especially to vegetable oil mills.

420. Since 1984, however, considerable effort has been made towards economic recovery. The measures taken include: the launching of a people's campaign for food production ("produce to feed yourself") which, coupled with the good rainfall of the past two years, should generate substantial surplus production. During the same period, the State launched a campaign for the reorganization of public finance, involving the payment of arrears owed to public enterprises, strict compliance with the payment schedule defined after the rescheduling of the public debt, and strict control of operating expenditure. The improvement of the system of collecting export revenue also strengthened the net position of monetary institutions.

III. EXPENDITURES ON GDP

421. Although the structure of the expenditure on GDP was established in 1984 and 1985, the variations of its individual components were very irregular. Consumption represented an average of 99.7 per cent of GDP, whereas the rate of investment and the resource deficit accounted for 14.1 and 8.4 per cent respectively. With regard to the trend in 1984, a decline was apparent in the level of fixed capital formation, coupled with the virtual stagnation of final consumption (especially by households) whereas in 1985, capital formation increased by 29.2 per cent in value (or 22 per cent in volume) as against 6.3 per cent (or 0.4 per cent) for final consumption. These variations account for the fluctuations in the savings rate, which moved from 18.7 per cent in 1980 to -3.6 per cent in 1984 and then to 5.9 per cent in 1985. On the whole, the decisive factor was the earnings distributed by the rural sector.

IV. PUBLIC FINANCE

422. Niger's budgetary situation started deteriorating from 1983, when there was a deficit of CFAF 1.4 billion after three consecutive years of surplus. This deterioration was caused by: (i) a decline in export duties (from uranium, in particular) of about 25.8 per cent owing to a drop in the volume of exports; and (ii) the ineffectiveness of the system of collecting the industrial and commercial profits tax as well as the general income tax which gave rise to the decline in the rate of revenue collection, compared with estimates, from 102.5 per cent to about 94 per cent between 1983 and 1984. With the completion of major infrastructural projects and the rescheduling of the public debt, budget expenditure was lower than 1983, with operating expenditure remaining stagnant around CFAF 72.6 billion in 1984 and 1985. On the basis of available implementation results for the first ten months of 1985 and the recorded flow of foreign capital, the budget deficit for the year should be about CFAF 6 billion as against CFAF 1.6 billion in 1984, which will entail substantial cuts in the investment programme.

423. The total amount of Niger's foreign debt was CFAF 524 billion in 1985 as against CFAF 392.4 billion and 456.7 billion in 1983 and 1984 respectively. The effective disbursement rate also increased from 70 to 74.5 per cent between 1983 and 1985, whereas the percentage of debt servicing continued to decrease: 27.3 per cent in 1982; 17.6 per cent, 18 per cent and 16.4 per cent in 1983, 1984 and 1985 respectively.

424. An average of 39 per cent of this debt was provided by multilateral sources (IDA, IMF, ADB). The sectoral appropriation was as follows: 22 per cent for transport and communications; 20 per cent for buildings and public works; and 12 per cent for the development of thermal energy. The conditions for obtaining this foreign debt seem to have changed favourably as interest rates dropped from 7.2 per cent in 1982 to 2.6 per cent in 1985, with average payment periods of 17 years and a 5-year grace period.

425. The money supply, which decreased slightly in 1983, increased by 23 and 16.6 per cent in 1984 and 1985 respectively. These performances are due to the fact that the money owed to monetary institutions was offset by a more regular repatriation of uranium export earnings in the amount of CFAF 18.4 billion and 7.1 billion in 1984 and 1985 respectively. The net debt position of the public institutions continued to increase during the period under review, mainly because of the accumulated arrears which were paid off in 1984 and 1985. It rose from CFAF 18.1 billion in 1983 to 24.8 billion in 1985. During the same period, credit to the economy contracted as a result of the decline in economic activity. On the whole, credit to the economy regularly decreased during the period under review: -4.1 per cent in 1984 and -2 per cent in 1985.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

426. External trade substantially reduced the trade balance deficit from CFAF 55.5 billion in 1982 to CFAF 2 billion in 1985, with a slight surplus of CFAF 400 million in 1984. This trend stems from the reduction of imports by about 9.6 per cent as a result of the improvement of the country's food situation and from the completion of some major infrastructural works. The major problem in the external trade sector is the uranium crisis, with a decline in world demand - in spite of the increase in market prices - which caused a drop of 9.1 per cent in export earnings in 1985 compared with their level in 1984. In spite of these irregular trends, there was a good cover up of imports by exports. The coverage rate stood at approximately 99 per cent on average between 1983 and 1985.

427. In terms of composition, uranium accounted for 74.6 per cent of exports while stock-farming produce (living animals, hides and skins) accounted for 7 per cent. With regard to imports, food commodities and transport equipment accounted for 23.5 per cent and 25.2 per cent respectively, while energy-generating products accounted for 20.4 per cent and industrial products for 30.9 per cent.

428. The external payments situation has continued to improve since 1982, with a substantial reduction of the total balance-of-payments deficit from CFAF 47.4 billion in 1982 to 100 million in 1984 and then a surplus of approximately CFAF 8 billion in 1985. This favourable trend, which is the fruit of the efforts made to balance external trade, results from (i) the reduction of imports (-10.8 per cent a year), with the completion of major infrastructural works which has considerably offset the decline of uranium export earnings; and (ii) the stabilization of unrequited transfers at around CFAF 30 billion a year (or 60.3 per cent of the annual deficit in goods and services). During the same period, the decline of net capital movements owing to the large size of the repayment of previous loans did not change the overall situation. A recovery of these net capital inflows was expected in 1985.

VI. SECTORAL PERFORMANCE

A. Rural Sector

429. The added value of this sector, which represents about 44.8 per cent of the GDP, is made up as follows: approximately 53.6 per cent (or 24 per cent of GDP) by agriculture; 38.6 per cent (or 17.3 per cent of GDP) by stock-farming and 7.8 per cent (or 3.5 per cent of GDP) by forestry and fisheries. It was seriously affected in 1984 by poor climatic conditions which, by depriving cattle of sizeable areas of grazing land, caused a drop of 28.5 per cent in nominal terms of the value added by stock-farming, while the value added by agriculture decreased by 3.4 per cent. In absolute terms, the growth rate of agriculture increased from -21.6 per cent in 1984 to 19.8 per cent in 1985, that of stock-farming rose from -21.6 per cent to +19.8 per cent while that of the fisheries and forestry sub-sector decreased from -2.6 to -3.7 per cent.

430. As far as production is concerned, the best performances were achieved by cotton, production of which, after some stagnation in 1984-1985 (3.900 tons), should increase by 6.5 per cent in 1985-1986, amounting to 4,154 tons). After a decline of 59.4 per cent in 1982-1983 and 23.3 per cent in 1983-1984, food crop production almost tripled in 1985-1986 owing mainly to the return of normal rainfall and to the good harvests of millet and sorghum. However, the exceptional harvests of 1982-1983, as a result of which substantial food reserves were built up, offset the shortage of cereals during the period 1983-1985. Official purchase prices from agricultural producers have remained stable since 1982, when they were increased by an average of 2.2 per cent.

431. Stock-farming is the sub-sector that has been hardest hit by poor climatic conditions. It has been particularly affected by the difficulties of reconstituting the cattle stock, whose growth rate was only 1.6 per cent between 1980 and 1984 whereas that of sheep and goats was 2.9 per cent.

B. Extractive Industries

432. These are dominated by the production of uranium. The State of Niger was counting very much on this product to finance its investment programmes. The difficult economic situation facing industrialized countries caused them to reduce their nuclear power programmes. The resulting decline in world uranium demand reduced Niger's production of this ore by 6.2 per cent a year between 1980 and 1985 (3000 tons in 1985 as against 4,129 tons in 1980). Income from the sale of uranium fluctuated very widely, in spite of regular increases in delivery prices between 1981 and 1984 prior to the 4.5 per cent drop in 1983.

C. Manufacturing Industries

433. Their structure which is dominated by vegetable oil mills and textile manufacture makes them heavily dependent on the agricultural situation. The decline of groundnut supplies to oil mills caused the closure of most of them, and the only one still functioning is operative at only about 30 per cent of capacity. As for textile industries, they were affected by the lack of a market

due to the closure of the Nigerian borders. Consequently, the turnover fell by 2.4 per cent in spite of the good cotton harvest obtained since 1983.

434. On the whole, based on 1980 prices, the added value of manufacturing industries, which contribute about 3.9 per cent of the GDP, dropped by 17.4 per cent in 1984, and then increased by 18.3 per cent in 1985. These performances come mainly from the dynamism of the chemical industry and building materials sectors, which benefited from the demand created by the execution of major socio-economic infrastructural projects.

D. Other Sectors

435. Their performance, on the whole, was very modest, since they are closely related to the agricultural performance which is itself very erratic. With the exception of government services, all of them had negative growth rates in 1984 (ranging from -6.9 per cent for the electricity, gas and water sector to -20.7 per cent for buildings and public works), with a slight recovery in 1985.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

436. Niger has not yet held a consultative meeting within the framework of the implementation of the Substantial New Programme of Action, which does not seem to have been taken into consideration in the implementation of the development plan. It therefore appears difficult to appraise the implementation of the Programme in Niger, the more so as the most recent final figures on the flow of development aid date from 1983. They show that total financial inputs had been decreasing constantly since 1981, with an official development assistance (ODA) component of 85 per cent. On this basis, it is felt that, after a decrease to $188.4 million in 1984, total disbursements should increase to $245.5 million in 1985, with ODA rising from $176 to $190.4 million over the same period.

VIII. MEDIUM-TERM PROSPECTS

437. On the basis of the first results of the economic policy measures, described above, the recovery drive observed in 1985 should continue in 1986, with however a lower growth rate than the one recorded a year earlier (+3.4 per cent). Major sectors will grow at more stable rates than in 1985, which corresponded to a specific economic situation with +2.9 per cent for extractive industries, 2.4 per cent for manufacturing industries, and 3.6 per cent for the tertiary sector. A slight recovery of capital formation can be expected in 1986, with an investment rate of 12.3 as against 11.1 in 1985.

438. Niger hopes for substantial foreign contributions so as to sustain the efforts made at the national level to give the economy a new impetus and to render the growth long-lasting. Actually, 91.4 per cent of the capital budget would have to be covered by foreign contributions. It therefore appears urgent to organize consultative meeting with donors (UNDP round-table conference or World Bank consultative group) in order to ensure the mobilization of these resources, without which the growth effort cannot be sustained.

RWANDA

I. OVERALL GROWTH PERFORMANCE

439. Over the period 1984-1985, Rwanda's economic performance was affected by the drought which prevailed during the second half of 1984, decreasing agricultural production in a country that is essentially rural and threatening it with a food crisis. In 1984, therefore, sharp inflationary pressures were experienced, marked especially by the steep rise in consumer prices. However, the country's political stability, the continued very favourable inflow of foreign investment, the relief of congestion in the Kigali region in terms of the location of new industrial units, the high productivity of the agricultural sector and the austerity measures taken by the Government all cushioned the effects of this initial recession and the economy got off to a far more stable path of expansion in 1985. GDP growth rates in real terms rose from -5.7 per cent in 1984 (at $1,435 million) to 3.6 per cent in 1985 (at $1,486 million). This trend reflects a decrease in per capita income of 9.4 per cent in 1984 and 0.1 per cent in 1985.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

440. It would appear that even in a period of vigorous growth, the benefits accruing to the people are dissipated by population pressure. The population growth rate is estimated at 3.7 per cent a year, while the current pressure on land hardly allows for cultivated land to be extended by more than 1.4 per cent per year. This heightens the competition for land between cash crop and food crop production.

441. To this demographic constraint is added the geographic fact that Rwanda is completely land-locked and its nearest point of access to the sea is 1,700 km. away at Mombasa. This handicap makes the country's foreign trade dependent on road traffic with Uganda and Kenya. Its distance from the sea adversely affects both imports and exports.

442. Finally, the State is facing an increasing demand to meet the basic needs of the people in terms of health, education, jobs and socio-economic infrastructures. This puts tremendous pressure on the budget. The country suffers also from a lack of skilled manpower, an inadequate number of staff qualified in project planning and implementation, and a low level of household incomes.

Faced with these imbalances and in the effort to meet the essential needs of the people, the Government of Rwanda has taken measures spelt out in the Third Economic and Social Development Plan. The measures have to do with food, education and health as well as the main productive sectors, currency and public finance.

443. In the social field, the education system is being reformed to bring the primary school attendance rate to 84 per cent by the end of 1986. Similarly, the objective of "health care for all by the year 2000" and a family planning

programme have been incorporated into the country's social policy. Community participation or UMUGANDA is used to build such support infrastructures as schools and clinics.

444. To improve the food situation, the country has worked out, in co-operation with the European Economic Community (EEC), a food strategy based on increased per capita food production and the streamlining of food marketing circuits. In general terms, agriculture has benefitted from a national anti-erosion compaign to protect soils.

445. After agriculture, manufacturing industries constitute the sector which has been given the most attention during the period under review, with the promulgation of a new investment code. The liberal aspects of the code have made it possible to attract substantial foreign investment and to diversify the sources of funding with the arrival of such new partners as the United Kingdom. Three elements charcterized Rwanda's industrialization policy: (i) the establishment of industrial units designed to process local materials and to satisfy domestic demand as a matter of priority; (ii) the gradual absorption of unemployed people in the prefectures; and (iii) the relief of congestion of the Kigali area.

446. As part of its policy to open up the country, Rwanda has opted for diversification of outlets in order to avoid the problems caused by political disturbances in some of the countries through which the traditional routes pass. Accordingly, provision has been made in the context of technical co-operation with the United Kingdom for an intensification of air freight transiting through the United Republic of Tanzania. On the domestic scene, major road projects have been completed or are being carried out to facilitate communications between prefectures and to secure access to producing areas. In terms of currency, finance and trade with the outside world, budgetary austerity and a search for equilibrium in the balance of payments have been the policies pursued within the framework of an adjustment programme prepared in 1982. At the same time as the rate of tax collection was being improved, action was initiated: (i) to review customs tariffs and to improve the taxation base; (ii) to raise selectively the excise duty on certain non-essential products in order to limit their importation; (iii) to decrease the tax levied on imports of certain raw materials and capital goods necessary for the success of the industrialization policy; (iv) to promote exports by diversifying outlets and (v) to re-structure the public and para-public sectors. The main problem remaining is the rise in value of the Rwanda franc against the United States dollar, which penalizes foreign trade and fiscal revenue.

III. EXPENDITURE ON GDP

447. From 1983 to 1985, a net improvement in domestic savings was recorded. From 3.4 per cent of GDP in 1983, it rose to 5.3 and then to 6.4 per cent in 1984 and 1985 respectively or from $51.7 to $76.1 million and to $ 95.1 million dollars in that order (taking 1980 as the base year). These trends resulted from a contraction of final consumption by 5.4 per cent per year on average (public consumption remaining stagnant and private consumption decreasing by 6.1 per cent per year). During the same period, the rate of investment declined in real terms from 16.3 per cent to 13.7 per cent, to rise to 18.5 per cent at the end of the period. The resource gap resulting from all these trends averaged $168.7 million or the equivalent of 11.4 per cent of GDP annually.

IV. PUBLIC FINANCE

448. The budget situation in Rwanda remained a cause for concern in 1984 and 1985, even though in 1984 there was a decline in the budget deficit as compared to 1983. The figure in 1984 was RF 2155.4 million as against RF 3319.5 million in 1983. The budget cut was secured by reducing regular expenditure by about RF 1714.4 million in relation to budget estimates.

449. The regular budget deficit increased at an annual average of 17.6 per cent: 1685.8 million in 1983; RF 375 million in 1874 and RF 2332 million in 1985. This was the result: (i) of the non-disbursements of 1984; (ii) of an increase of 5.9 per cent per year in regular income derived essentially from customs revenue (which accounted for 45 per cent of the total), profits tax and income tax; and (iii) of an increase of 7.4 per cent in regular expenditure. The last two factors fall within the context of the tax reforms implemented.

450. The development budget, into which are paid resources derived from the MAGERWA tax, the profits of the National Bank of Rwanda and development or treasury bond subscriptions decreased in 1984, with income falling from RF 1009.4 million to RF 738.6 million and expenditure falling from RF 2643.1 million to RF 2518.7 million. There was a resultant increase in the deficit of about 9 per cent. In 1985, development expenditure was estimated at RF 3593 million.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

451. During the period under review, the trade balance improved slightly from its past deficit of RF 6.9 billion in 1983 to RF 5.5 billion in 1984. The situation seemed to have deteriorated again in 1985 with a deficit which, according to initial estimates, was of the order of RF 7.9 billion. These are by no means a sign that the policy of seeking equilibrium in trade with the outside world has failed, but rather the result of the upsurge in investment noted in 1985, with a fixed capital formation rate estimated at 18.5 per cent of GDP at 1980 prices as against 13.7 per cent in 1983. The upturn led to a substantial increase in imports at a rate of 25.7 per cent in 1985, amounting

to RF 24,879.7 million, as against 6.1 per cent in 1984, amounting to RF 19,785.6 million. Exports, dominated by agricultural products, increased by 14.5 per cent annually because world prices of coffee and tea held firm. The rate of coverage of imports by exports averaged 65.5 per cent.

452. From the available estimates, the initial improvement in current payments noted in 1984 continued in 1985, reducing the budget deficit from RF 4,117.9 million to RF 3,694.8 million during the period. This decrease was mainly due to a net upswing in unrequited transfers from RF 10,126.7 million to RF 16,029.3 million (as compared to RF 11,115.2 million in 1983). This was because the deficit in the balance of goods and services worsened by 16.6 per cent as a result of net services which, dominated by the cost of freight and given the country's land-locked situation, remained unfavourable (RF 8.675.5 in 1983; RF 8,741.3 million in 1984 and RF 10,191.4 million in 1985). On the whole, the surplus of the overall balance of payments, which amounted in 1984 to RF 1,462.7 million, seems to have been maintained in 1985 with RF 1,885.8 million, mostly because of the surplus in capital movements, which remained at the same level as in 1984 at RF 5,580 million.

453. The ratio of external public debt servicing to earnings from the export of goods and services rose from its 5.5 per cent average between 1981 and 1984 to something between 12 and 15 per cent in 1985, when the servicing cost amounted to about RF 1,215 million. This unfavourable trend arises from the terms under which the debt was contracted, which seem not to have been particularly concessional. It should be recalled that until 1983, the bulk of commitments entered into yielded very little and often no interest. The total estimated outstanding year-end debt rose from RF 46.4 billion in 1983 to RF 52.6 billion in 1984. Fresh drawings for 1985 were estimated at RF 1.282 million. However, the problem of the country's low absorption capacity still remains: the effective utilization rate of commitments entered into fell from 90 per cent in 1981 to 51 per cent in 1983 and seemed not to have improved over the period under review.

VI. SECTORAL PERFORMANCE

A. Food and Agriculture

454. With an average contribution of GDP of about 45.5 per cent, the agricultural sector provides a livelihood for 85 per cent of the population and earns for the country more than 60 per cent of its export revenue. Its value added was affected by the drought which prevailed in the second half of 1984. After declining by 6.6 per cent in 1984, the value added increased by 3.8 per cent in 1985 with the return of normal rainfall.

455. In terms of production, food crops (pulses and cereals in particular) have been the most affected. The result was a production shortfall up by nearly 14 per cent and an escalation of consumer prices. Apart from pyrethrum, cash crops had a more favourable growth pattern. They did not suffer from the drought, and world prices of the commodities concerned were generally on the rise. Tea, coffee and pyrethrum production therefore increased at a rate of 15.9, 11.2 and -3.8 per cent respectively.

456. The livestock subsector showed a decline in 1983-1984, but clearly took a turn for the better with an increase of more than 126 per cent in the production of skins during the period under review. Corresponding exports increased by nearly 170 per cent.

457. On the whole, the food situation in Rwanda has been very satisfactory despite the drought in 1984. This is the result both of the diversity of food crops and of the success of the food strategy aimed at satisfying local needs before anything is exported.

B. Mines and quarries

458. The value added of the extractive industries, which accounted for about 1.1 per cent of GDP, remained almost stagnant from 1983 to 1985. The production increases which began in 1983 continued in 1984 and 1985 with rates ranging from 2.3 per cent for cassiterite and 37.6 per cent for beryl. The price of tin, Rwanda's major mineral export of Rwanda, showed a distinct upward trend, but the effects were attenuated by the more than 13 per cent depreciation in value of the pound sterling against the Rwanda franc.

C. Manufacturing industries

459. With 17.3 per cent of GDP, this sector recorded a mean annual growth of 3.2 per cent in real terms from 1983 to 1985, as against an average of 8.3 per cent from 1981 to 1983. The situation in industry remained closely linked to that of agriculture since the existing plant was mainly for the processing of agricultural products: beer brewing, coffee and tea processing. The tin foundry which was established does not seem to have generated the expected trigger effects because of the over-capacity of the factory.

D. Other sectors

460. The water-electricit-gas, building and public works, and miscellaneous services sectors contributed 0.7, 1.8 and 33.6 per cent respectively to GDP. Their growth rates for the period under review were 10.6, 3.9 and 2.7 per cent respectively.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

461. The round table of funding agencies for the economic and social development of Rwanda was organized from 1 to 4 December 1982. The programme submitted falls within the framework of the Third Development Plan which represents investments of a magnitude of RF 237 billion, with a priority tranche of RF 125 billion of which 62.5 per cent of the financing was sought from external sources. The sectoral allocation of these investments is as follows: 24.0 per cent to agriculture; 19.2 per cent to industry and handicrafts; and 19.1 per cent to buildings and public works, which means that 62.3 per cent of the priority tranche was being appropriated to directly productive sectors.

462. Since the holding of the round table and with re-deployment in the national projects office, a genuine effort has been made to improve the preparation of requests for financing. Most of the projects for which firm pledges of financing were not announced were re-submitted to joint bilateral co-operation missions involving the major aid partners. The aid flows resulting from this effort have been slightly on the rise with, however, a stagnation of $153 million in the component granted on concessional terms. This reflects a slight deterioration in the terms under which such aid is granted. As of 31 Devember 1984, official development assistance (ODA) received by Rwands amounted to $23 million. while concessional aid from multilateral sources amounted to $138 million against $2 million of non-concessional aid coming from the same sources. In 1985, the total flow of external aid seems to have remained at its 1984 level.

VIII. DEVELOPMENT PROSPECTS

463. The process of adjustment and revitalization of Rwanda's economy should continue in 1986, with a GDP of $1571 million at 1980 prices, 5.7 higher than in 1985. It should be noted that public consumption would stagnate as a result of austerity measures and an increase in household consumption of about 5.7 per cent. The rate of domestic savings is expected to be 7 per cent for an investment rate of 22.6 per cent.

464. The main generators of this growth will be: agriculture, manufacturing indsutry and the services sector with growth rates of 6.2, 8.7 and 4.1 per cent respectively. The expansion of the manufacturing sector would result from favourable reactions to the new investment code in foreign investments particularly because of the facilities accorded in profit transfer and exchange rates. The growth prospects for Rwanda's economy thus seem to be very favourable.

SAO TOME & PRINCIPE

I. OVERALL GROWTH PERFORMANCE

465. Between 1970 and 1980, GDP (constant 1970 prices) grew at an annual average rate of 1.2 per cent. Thereafter, GDP declined steadily by 10.6 per cent in real terms in 1981-1982 and by 5.2 per cent in 1982-1984 attaining Db 645.4 million in absolute terms in 1984. This slackening in economic growth was attributed to the poor performance of the cocoa sector which has consistently declined since 1981. The fall in cocoa's value added during the period 1981-1984 was due to impact of low world cocoa prices; Consequently, a further contraction of real GDP in 1985 is expected and estimated to drop by 1.5 per cent.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

466. Sao Tome's economy is suffering from the economic disruption caused by the sudden exodus of the Protuguese settlers in 1975, who left the cocoa plantations in disarray. Economic growth is also hindered by the limited domestic market, the vulnerability of the economy to fluctuations in world cocoa prices its geographical isolation due to inadequate and irregular air, maritime and telecommunications links; the shortage of skilled manpower and the Government's inability to invest adequately in the cocoa estates. There are no known mineral resources. The manufacturing sector is very small and the tourism potential has not yet been developed. Fishing resources are considerable but the local fishing sector remains backward.

467. A Five-Year Development Plan for the period 1986-1990 had been prepared and the main objective is to rehabilitate the cocoa estates and to develop the Fishing Sector. The Government had tried to nationalise the private cocoa plantations and to group them into 15 state enterprises. The Government also controls the marketing of most agricultural produce. All these efforts are geared towards increasing foreign exchange earnings so as to decrease dependence on External Financing.

III. EXPENDITURE ON GDP

468. Total consumption which represented 51 per cent of GDP in 1977 rose to 128.3 per cent in 1981 with further increases in subsequent years. Thus, the investment rate, which is 20.8 per cent of GDP had to be financed wholly by foreign aid. The imports of goods and services represents about 95.7 per cent of GDP whereas exports accounts for about 46.5 per cent. Both resource gap and trade gap are large which is an indication that the country will continue to depend on external resources for its economic development.

IV. PUBLIC FINANCE

469. The general state budget expenditure has increased from Db 1,059.6 million in 1982 to Db 1,077.0 million in 1983. There have been large budget deficits in recent years resulting in increased state borrowings. These deficits are estimated to have been financed from external sources and the local banking system.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

470. The external trade balance is the dominant element in the current account of the country's balance-of-payments because of the influence of cocoa exports and the level of imports sanctioned by the Government. Cocoa has historically accounted for 80-90 per cent of the country's exports. High export earnings were recorded in 1977-1979 (SDR 18.5 million) when cocoa prices were on the rise. But thereafter the weakening of the world cocoa market and continuing setbacks to local cocoa production reduced export earnings dramatically to SDR 6.4 million in 1983, thus reducing the overall merchandise exports from SDR 20.6 million to SDR 8.1 million. With imports (FOB) rising to a record SDR 27.8 million in 1982 and to SDR 14.1 million in 1983, the trade balance showed a deficit of SDR 19.8 million in 1982 and SDR 6.0 million in 1983. The reduction in the trade deficit in 1983 was due to the government's effort to curtail imports.

471. The deficit in the services account also declined from SDR 10.8 million in 1982 to SDR 6.8 million in 1983. However, the small amount of private and official transfers has resulted in a current account deficit of SDR 7.5 million in 1983. In the capital account, there was a net outflow of long term capital of SDR 3.0 million and a net inflow of short-term capital of SDR 17.1 million. Consequently, the overall balance-of-payment deficit fell from SDR 6.4 million in 1982 to SDR 1.5 million in 1983. Balance-of-payment support were provided by several governments and international agencies, totalling US$ 5.6 million in 1983.

472. Most of Sao Tome's external borrowing has been given on concessional terms, as such, the debt service burden is light. Total public external debt reached US$ 60.1 million in 1983 and annual debt repayment obligations which was estimated at SDR 0.9 million in 1981 has increased to 2 million in 1983 representing a debt service ratio of about 25 per cent.

V. SECTORAL PERFORMANCE

A. Food and Agriculture

473. Sao Tome's economy is based almost entirely on agriculture. Cocoa is the predominant commercial crop which covers about two-thirds of the total cultivated area of the country. However, very small quantities of coffee, palm oil, coconut and banana are also produced. Food crops are being grown on 1,500 ha only and are composed of cereals, beans and vegetables. Production is not sufficient to feed the

country and the food gap which had to be met through imports has widened in recent years. The Government's present top priority is to diversify the range of locally produced food crops in order to reduce the huge food import bill.

474. A major setback to local food supplies occurred in 1979 when some of the country's livestock, mainly pigs, were slaughtered following the discovery of swine fever. This had resulted in a fall in the number of cattle, goats and sheep to 500, 3000 and 500, respectively. The total catch of the industrial fishing fleet, which is state owned, rose from 1,612 tons in 1979 to 3,590 tons in 1983.

B. Industry

475. The manufacturing sector accounts for only 6 per cent of GDP in 1984 and is limited to a few small soap, soft drinks, clothing and processing factories. The construction sector represents about 3 per cent of GDP and the combined value added of the two subsectors had declined in 1982-1984 compared to the 1980 level.

476. As far as energy is concerned, the exploitation of the oil deposits found in 1973 was stopped because of the presence of volcanic rock in the area. Electricity generating capacity was expected to reach 8.5 MW in 1983

C. Transport and Communications

477. The internal transport and communication infrastructure is relatively well developed: Of 380 km. of roads, 250 km are paved. The biggest problem is the poor international communications links. The Government started building a new airport in 1984 costing US$ 12 million which should allow long haul aircraft to land in Sao Tome. There is also a good local telephone/telegraph system. In 1985, the government had launched a three-year telecommunications programme to modernize its telephone system. The project, costing some US$ 2.3 million involves the supply and installation of a direct visibility, high frequency transmission system and financing is by the African Development Fund and overall supervision of the execution stage by the International Telecommunications Union (ITU).

VII. IMPLEMENTATION OF THE SNPA

478. The Government of Sao Tome had succeeded in attracting financial assistance from a wide range of governments and international agencies. For the past ten years, the OPEC countries had provided balance-of-payment support worth US$0.5 million annually. The IDA is currently funding the cocoa rehabilitation project at a cost of US$ 7 million and other priority investments costing US$ 5 million. Under Lome I and Lome II, the country had been allocated Ecu. 7.85 million and Ecu. 4.0 million, respectively. Under Lome III, aid totalling Ecu 6 million had been earmarked. Portugal also provided Ecu 32.15 million in 1983 in aid of various development projects.

479. The Government planned to hold a round table conference on external aid in Sao Tome in November 1985 in order to finance its Five-Year Development Plan (1986-1990). The meeting had been postponed to the first quarter of 1986.

VIII. MEDIUM-TERM PROSPECTS

180. Sao Tome's basic problem is its inability to revive cocoa earnings, which had fallen to US$ 7 million in 1983 from a record level of US$ 28 million in 1979 when the world cocoa price was favourable. There is a little sign of a revival in cocoa production in Sao Tome as this depends on extensive investment in rehabilitation. Thus, the Sao Tome economy will be more adversely affected by falling world cocoa export price during the coming years than other cocoa producers who are expected to have a good crop harvest to compensate for price falls. The country would have no other alternative but to accelerate the approval of a pending stabex transfer from the EEC to compensate for losses in cocoa earnings. Given that the cocoa rehabilitation programme will materialize, there is an optimism about Economic recovery in the Medium-Term.

SIERRA LEONE

I. Overall growth performance

481. There were no noticeable improvements in the overall economy in 1984-85. The economy continued to be adversely affected by the co-existence of unemployment with inflation and severe shortages of foreign exchange. All the strategic sectors of the economy, notably, mining, agriculture and manufacturing experienced further difficulties in 1984-85. Improved production performance was recorded in bauxite, rutile and gold mining, but diamond and iron-ore mining posed serious problems. The low rainfall recorded during the 1984-85 crop season was beneficial and favourable to tree crops but food production was adversely affected. Except for two or three **industries** which recorded some slight increases in output, the manufacturing sector continued to stagnate, due to the persistence of foreign **exchange** shortages and frequent power cuts.

482. Overall output in the economy, measured by the GDP, grew by 33.3 per cent from Le 1,885.5 million in 1983/84 to Le 2,513.4 million in 1984/85 at current factor cost, but a decline of 7.1 per cent was registered in real GDP. The government overall budgetary position further deteriorated in 1984-85 but there was a deceleration in the rate of price increase as reflected by movements in the Freetown Consumer Price Index. The rate of price inflation was 56.4 per cent in 1984 compared with 85.6 per cent in 1983. The preliminary figures for the first six months of 1985 suggest that the rate of increase in the price level is around 60 per cent.

II. Major development problems and policies

483. The continued deterioration in economic performance, particularly in the external sector, was the major problem facing the country in 1984-85. With the serious shortage in foreign exchange occasioned by the balance of payments imbalance, the incentive to conduct commercial transactions outside official trade and exchange system had increased. This scarcity of foreign exchange, fuelled by smuggling of minerals and agricultural products, particularly rice, has had adverse effects on both the private and the public sector.

484. Since the scarcity of foreign exchange stands out as the single most important problem in the economy, policies aimed at combating it has been at the forefront of Government measures in 1984-85. In order to increase the net inflow of foreign exchange accruing to the country from mineral exports, the government floated a company, the Precious Minerals Marketing Company (PMMC) in August 1984, in partnership with the private sector. This company has so far concentrated on the export of alluvial diamond and gold. A foreign exchange committee has also been formed charged with the responsibility of identifying all possible sources of foreign exchange earnings and its allocation.

485. Another stabilisation programme and stand-by arrangement was concluded with the IMF in February 1984 aimed at improving the balance of payments and at relieving the upward pressure on prices while at the same time contributing to overall economic recovery. The programme included, inter alia, restrictions on credit to both the private and the public sectors, as well as on external borrowing, a ceiling on the budget deficit and an increase in producer prices.

486. The Leone was delinked from the US dollar on February 21, 1985 and pegged to the Special Drawing Rights of the IMF. Simultaneously, a new exchange rate was established at the rate of SDR 0.174183 to the Leone (equivalent to \$1 = Le 6) compared to Le 2.50 = US\$1 in the preceeding period. At the same time, the Government embarked on a more vigorous policy of rationalising and streamlining retention facilities and surrender requirements. It also instituted a policy of import liberalisation, all designed to discourage smuggling, curb parallel market activities and increase foreign exchange inflow into the official banking system.

487. In order to minimize the cost and burden of the adjustment programme on workers, the Government decided to institute a new incomes policy aimed at adjusting salaries, wages and pensions of public officers. The increase which ranged from 20 per cent at the top to 30 per cent at the bottom, with an overall average increase of 25 per cent, was effective from 1st July 1985. In an effort to promote agricultural development and the growth of the banking industry, a rural bank, known as 'Yoni Rural Bank' was set up at Mile 91 in February 1985.

III. Expenditure on GDP

488. The share of total consumption expenditure in GDP (constant 1970 prices) increased from 83.5 per cent in 1981 to 85.2 per cent in 1983 due to a 2 per cent increase in the proportion of private consumption expenditure from 77 per cent in 1981 to 79 per cent in 1983. On the contrary, public consumption expenditure declined by 5 per cent in 1982 and 8 per cent in 1983 due to prudentmeasures adopted by the government to properly manage the use of resources. Gross fixed capital formation estimated at \$804 million dropped by 2.5 per cent in 1982 but improved slightly in 1983. The savings rate is considerably low, estimated at only 2 per cent of GDP in 1982/83. Gross domestic investment has been declining because of the inability of the government to mobilize adequate domestic resources.

IV. Public finance

489. The budget profile for 1984/85 estimated total recurrent revenue at Le 262.1 million but the out-turn on the basis of eleven months actuals is estimated at Le 272.3 million or 33 per cent more than the 1983/84 collections. On the expenditure side, both originally budgeted recurrent and development expenditures were kept under control and in line with the 1984/85 budget estimates. However, payment of one mouth bonus salaries and wages to government employees as well as a considerable amount of subsidies paid for oil and rice resulted in additional budgetary expenditures. Consequently, the overall budget deficit and its bank's financing requirement recorded more than the original estimate. On the basis of eleven months actual data, bank's financing requirement in 1984/85 was in the region of Le 270 million as against the Le 164.6 million budget estimate.

V. External trade, balance of payment and external debt

490. According to IMF figures, total exports in 1984 amounted to Le 334.7 million which is a 31 per cent increase over the projected import value of Le 255.3 million for that year and 24 per cent over the 1983 export earnings of Le 268.6 million. On the other hand the value of imports increased from Le 338.8 million in 1983 to Le 418.3 million due partly to the devaluation of the Leone which made import more expensive in dollar terms. The deficit on the trade balance increased substantially from Le 65.2 million in 1983 to Le 83.6 million in 1984.

491. Net inflow of private capital in 1983/84 is estimated at Le 37 million which is an improvement over the 1982/83 level of Le 16.5 million. Net outflow of official capital was around Le 56 million as a result of high debt repayment obligations relative to drawings on official and long term borrowings. The developments on the current and capital account among others, resulted in a substantial increase in the balance of payment deficit.

492. Total external debt stands at $400 million (or Le 2400 at current exchange rate). Sierra Leone's creditor nations agreed at a Paris Club meeting in 1984 to reschedule $59 million of the country's debt in addition to partial relief of $76 million obtained prior to 1980.

VI. Sectoral performance

A. Food and agriculture

493. Crop yields generally recorded significant increases in 1984-85. The boost to cocoa and coffee production came from an increase in world market prices and favourable weather. There were progressive increases in producer prices by the Sierra Leone Produce Marketing Board (SLPMB) at the beginning of the 1984-85 crop season, followed by further increases in February 1985 after the devaluation of the Leone. The impact of the producer price increases on cash crops has been encouraging. By the end of April 1985, 10,019 tons of cocoa and 4,400 tons of coffee had been exported by the SLPMB compared with 8,705 tons of cocoa and 1,624 tons of coffee respectively for the same period in 1984. In contrast, the quantity of palm kernels purchased by the SLPMB fell in 1984/85 compared with 1983/84. Despite the continued high priority accorded to food production by the Government, the level of rice production was low in 1984/85 comapred with 1983/84.

B. Mining

494. Development in the mining sector were mixed. The installation of a new drier machine in the bauxite mine provided a significant boost to bauxite production in 1984 estimated at around 1,043,734 metric tons compared with the production figure of 949,972 tons in 1983 and 605,867 tons in 1982. Rutile production was also on the increase, helped greatly by growing mineral demand in the industrialized countries and improvements in world market price.

Total production is estimated at 82,428 metric tons, an increase of 12,953 metric tons or 18.6 per cent over 1983 production. The output of iron-ore increased by 43.1 per cent, from 304,572 metric tons in 1983 to 435,855 tons, but production was halted in March 1985 following withdrawal of Austrominerals, the managers of the Marampa Iron Ore Mine. Diamond output in 1984 was up 25.5 per cent on the 1983 output but this sector of the mining industry has been particularly hit and faced with imminent closure, following withdrawal by British Petroleum of its 40 per cent shares in the National Diamond Mining Company.

C. Manufacturing

495. Most industries in the manufacturing sector continued to operate at well below full capacity utilization. The main reason for the lack of progress in this sector is the acute and growing shortage of foreign exchange needed for the purchase of raw materials and spare parts as well as for the replacement of unserviceable machines in the factories. Except for cigarettes, nails, and salt output of most manufactures either fell or stagnated in 1984.

VII. Implementation of the Substantial New Programme of Action

496. The Sierra Leone Government has completed the preparation of its roundtable document, entitled: "Sierra Leone: A programme for Rehabilitation and Economic Recovery (1985/86 - 1987/88)", which describes the current economic performance and future prospects, economic policies, strategies and priorities. The total cost of a public investment programme (1985/86-1987/88) is estimated at Le 703 million. The programme was formulated within the framework of the second national development plan and it outlines the needs for external assistance and the domestic policy measures to be pursued by the government in order to increase the amount of, and, utilization of aid.

497. After an initial drawing of $20 million of a total $50 million one-year IMF stand-by arrangement, the IMF suspended the programme on the contention that the major conditionalities were not being fully met by the Sierra Leone Government. This is likely to have a negative impact on future aid flows from both bilateral and multilateral sources. However, the government had mounted several pre-conference sensitization missions to its major donors in order to improve the climate for aid-flows in support of its rehabilitation and economic recovery programme.

VIII. Medium Term prospects

498. The various measures and policies already undertaken by the Government are intended to give the right signals not only for increased production but equally, if not more importantly, to divert exports of agricultural produce, diamonds and gold to official channels. There are already strong indications of a substantial increase in SLMPB's purchases of cash crops in 1985. There has been an increase in recorded alluvial gold and diamond export since the new exchange system was put in place, and three allocations of foreign exchange, amounting to $3 million in cash plus PMMC export proceeds have been made by the foreign exchange committee between October and December 1984.

499. Nonetheless the most pressing problems of the Sierra Leone economy, even in 1986, are likely to be those of poor overall economic performance, rising prices, inelastic public revenue and rising recurrent expenditure. The imperatives of the present predicament no doubt dictate the need for immediate programmes of adjustment which are being put into place in order to arrest the adverse developments in the economy and ensure a strong basis for a turn-around. But the need for fundamental structural adjustment cannot be denied and it is until this is successfully addressed that any bright prospects for economic performance can be ensured.

SOMALIA

I. OVERALL GROWTH PERFORMANCE

500. The Somali economy has been going through turbulent years since 1981 due mainly to financial constraints. Erratic weather conditions, notably the drought; had severely hampered banana and livestock production which together account for roughly 40 per cent of GDP and 90 per cent of export earnings.

501. According to ECA estimates, the real rate of growth of GDP (at constant 1980 prices) increased from 4.8 per cent in 1981 to around 11.1 per cent in 1982 but declined drastically to arcund 3.9 per cent in 1983. In 1984, the slow-down in the economy was intensified as a result of expansionary financial policies; the loss of the Saudi Arabian cattle market and the impact of the drought. Estimate of GDP growth in 1984 was a negative 3.7 per cent mainly due to a 10.6 per cent decline of the agriculture sector. Inflation had shot-up to 92 per cent in 1985 after a low of under 30 per cent in early 1984. Foreign reserves remain extremely low and estimated to finance no more than an equivalent of two week's imports.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

502. Somalia is beset with economic and financial problems which are, to some extent, out of the Government's control. The country's vulnerability to drought and other harsh climatic conditions has had a negative impact on the commodity producing sectors, especially livestock and bananas. The heavy reliance on and the uncertainties about external assistance flows had created a considerable resource-gap in financing both recurrent and capital expenditures which have far outstripped public revenue in the past four years. The Government's recourse to the domestic banking system to finance the budget deficit had flared up inflationary pressures estimated at 92 per cent at end-1985.

503. The economic situation has been worsened by the closure of the Saudi Arabian market to Somali cattle (due to rinderpest scare in East Africa), which hitherto had netted the country about 80 per cent of export earnings. The refugee problem (official estimate: 700,000 in 1985) constitutes yet another drain on the country's meagre resources. Migrant remittance have declined substantially as the economic recession in the Gulf states is squeezing out a sizeable contingent of Somali migrant workers. The question of oil supplies remain critical although the US Government is said to have released one-third of US$27 million commodity import agreement with Somalia for the purchase of crude oil.

504. In mid-1981, the Somali Government initiated a package of policy reforms aimed at stabilizing the economy which was backed by two IMF stand-by arrangements. The programme was designed to induce output and hence economic recovery. It was characterized by demand management policies including tightening of domestic credit, restraints on the money supply and stringent control of public expenditures. The key productive sectors were to be rehabilitated and measures for increased investment were enunciated. The exchange rate was to be adjusted and producer prices for livestock and banana were to be increased.

505. An over-valued Somali shilling considered as a disincentive to exports, was devalued in mid-1982 by 32 per cent for imports and 15 per cent for exports. The shilling was further devalued in 1984 and 1985 and a two-tier exchange rate system was introduced. The rate of So.Sh. 36.6 = 1$ was applied to Government spending abroad and to commodity imports channelled through the Central Bank. The rate for individuals was to be determined by free market forces. This move was accompanied by curbs on all imports as a means of prohibiting the imports of non-essential items.

506. An economic recovery programme was drawn up in early 1985 in close collaboration with the IMF. Following negotiation with the Fund, Somalia had moved, al beit, slowly, towards economic liberation. To encourage exports, manufacturers were allowed in 1985 to retain 65 per cent of foreign exchange proceeds to finance essential inputs from abroad as against 35 per cent in 1984. Under the programme, price controls will be abolished; restrictions on credit will be upheld. The civil service is expected to be reduced along with reforms in public sector enterprises; and interest rates will go up. However the Government is resisting further devaluations and the closure of parastatals which is considered politically costly.

III. EXPENDITURE ON GDP

507. In view of the demand management policy measures which required budgetary restraint, especially on recurrent expenditures, government consumption as percentage of GDP decline from 31 per cent in 1981 to 23 per cent in 1983 although salary increases for government employees and heavy subsidization of parastatals yielded a 1.5 per cent in public consumption between 1981 and 1982. Private consumption as a proportion of GDP followed the same trend with a drop from 85 per cent in 1980 to 74 per cent in 1983.

508. Gross investment increased from 18 per cent of GDP in 1982 to 23 per cent in 1983 basically as a result of the external capital injection in support of the stabilization programme. The inflationary tendencies in the economy combined

with low income levels had eroded the domestic savings capacity and the savings rate continued to decline since 1981.

IV. PUBLIC FINANCE

509. The economy is heavily taxed despite its narrow production base. The ratio of government revenue to GDP increased to around 15 per cent in 1981. Efforts are been made to rationalize the tax structure and improve tax administration and expenditure control. In 1982, the intake of revenues improved, largely because of increases in import duties. Expenditure, on the other hand, increased substantially as a result of the devaluation and the 7 to 30 per cent increase in salaries of Government employees and heavy subsidization of parastatals. The stabilization programme and the IMF stand-by arrangement had targetted an expenditure increase of 45 per cent in 1982 compared to an increase of 36 per cent in revenues. However, the fiscal reform in 1983 concentrated more on expenditure control. As a result, allocations for development expenditure were substantially reduced with an adverse effect on the implementation of externally funded programmes and projects. Analysis of the 1984/85 and 1985/86 bidget estimates and/or actuals is not possible because of the lack of data.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

510. Somalia's external sector is characterized by a narrow export-base dominated principally by livestock and banana exports which together account for 90 per cent of total export earnings and about 40 per cent of GDP. The major export market for Somali cattle - Saudi Arabia - was closed to the country's livestock export. Although Somalia received a 12 per cent tariff preference in Italy for its bananas, yet stiff competition from other ACP states negated any rise in banana export receipts.

511. In 1981, total value of exports was estimated at US$208 million, dropping to a level of US$199 million in 1982 though increasing slightly to US$210 million in 1983. On the other hand, imports declined from US$512 million in 1981 to US$461 million in 1982 and estimated to have declined further in 1983 as a result of the Government's import rationalization policy. The current account deficit was estimated at 16 per cent of GDP at just under US$150 million in 1983. Total reserves (minus gold) dropped by 31 per cent in 1984 and currently estimated to cover not more than two weeks' imports. The overall balance of payments deficit increased from US$13 million in 1981 to around US$40 million in 1983.

512. World Bank sources put Somalia's total public and public guaranteed outstanding debt at end-1984 at US$1.5 billion. Although the debt ratio is around 13.1 per cent in 1983, annual debt repayment obligations is estimated to increase from US$22 million in 1983 to US$122.2 million in 1984 and US$118.8 million in 1985 excluding the effects of new commitments. In view of Somalia's difficult external payments position, aid donors indicated in Paris in January 1985, that increased balance of payments support will be provided. Most of the debt is owned to non-OECD member countries (i.e. to the Soviet Union and Arab countries), hence debt relief within the Paris Club framework is not very promising in relation to minimizing the debt burden.

VI. SECTORAL PERFORMANCE

A. Agriculture

513. Agriculture, with its dominant subsector, livestock, is the impetus to growth of the Somali economy. The sector is the principal generator of income and employment and the chief earner of foreign exchange. To that end, much emphasis in the Five-year Development Plan (1982-1986) was placed on the development of agriculture, particularly livestock. The sector recorded a marginal growth of less than 2 per cent in 1983 and further improvement are expected in 1984-1985 despite the drought conditions.

514. One of the major strategies in the Public Investment Programme (1984-1986) is the achievement of food self-sufficiency through the development of the Juba Valley. About 70 per cent of the financing of the Juba Valley and the Badhera dam costing some US$306 million is reported to have been obtained. Policy measures taken to increase agricultural production include an increase of 14 per cent in producer prices for cotton, 66 per cent for oil seeds and 200 per cent for bananas. The area under cultivation has been substantially increased and the cropping pattern was slightly changed to allow for optimal use of land and water resources. Besides the efforts made to mitigate the effects of periodic droughts which led to large reduction in the national herd, veterinary services and research were heavily financed. However, the output has not exhibited any sign of progress and remained stagnant due to the limited capacity of the rangeland to sustain a larger herd and slso the imposition of heavy taxes on livestock exports.

515. The EEC has allocated Ecu 200,000 for the eradition of Rinderpest diseases in Somalia and hopefully, exports to Saudi Arabia will resume in the near future. The 3,000 ha. Afgos - Mordile irrigation scheme is been revitalized. The project was halted in 1977-1978 after only 1,500 ha. had been cultivated. In 1981 ADB pumped in US$7 million to part finance the project. An IDA credit of US$10.6 million towards part financing of the north-western region agricultural

development project has also been obtained. Other contributors will include IFAD, and EEC providing US$12.4 million and the Somali Government will cover US$2.6 million. The project will concentrate on production of grains, fruits, and vegetables and expected to increase the average income of farmers from US$480 to US$1,200 per person.

B. Manufacturing

516. The manufacturing sector remains small and fragmented, accounting for only 5.5 per cent of total GDP. The sector grew by 7.6 per cent in 1983. The poor performance of the sector is due to inadequate supplies of raw materials and lack of spare parts which had resulted in increased underutilization of manufacturing capacities. The sector also suffers from the chronic lack of qualified managerial and technical personnel. The policy of holding down output prices had an adverse impact on productivity, in particular, on State-owned enterprises. To make the sector effectively operational, extensive rehabilitation programmes were included in the Development Plan (1982-1986). As alluded to earlier, the Government's drive in enhancing manufacturing production, particularly for exports, has led to allowing manufacturers to retain 65 per cent of the foreign exchange receipts to finance essential inputs, an increase of 30 per cent over the 1984 retention level.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

517. In October 1983, Somalia organized a World Bank Consultative Group Meeting with donors which focussed on an extensive review of the country's development strategies and public investment programmes and projects. Another consultative group meeting was convened in January 1985 which was preceeded by an economic recovery programme drawn up in collaboration with the IMF. The main thrust of the meeting was to reorient project aid pledged at the 1983 meeting to balance of payment support. This was necessary both because the foreign exchange reserves had fallen sharply at end-1984 and because normal rescheduling of Somalia's debt through the Paris Club was not very encouraging since the bulk of the debt is owned to the Soviet Union and Arab Countries who do not belong to the Paris Club creditor nations.

VIII. MEDIUM-TERM PROSPECTS

518. The policy reforms that have been undertaken by the Government since 1981 is likely to yield some improvements in the growth performance of Somalia in the medium-term. Moreover, if an increased flow of external financing is obtained, this would expand the productive base and utilization of existing manufacturing

capacities. Given these indications, the economy is likely to achieve between 4 to 5 per cent growth in GDP in 1985 as targeted for in the Five-year Development Plan (1982-1986). Agricultural value added would increase at a moderate rate of 3 per cent. Similarly, with increased utilization of industrial capacities, value added in the sector is likely to increase by about 7 to 8 per cent. The release by the U.S. of one-third of a US$27 million commodity agreement for Somalia's oil needs would contribute to easing the pressure on the balance of payments and hence an improvement in the external payments position.

SUDAN

I. Overall growth performance

519. The Sudanese economy is passing through one of its most difficult times. The long list of chronic ailments includes declinining productivity in agriculture and industry, worsening balance of payments position, fiscal difficulties, rising rates of inflation and mounting debt repayment obligations. The crisis was further complicated by the devastating 1982-84 drought which resulted in substantial drop in rainfed production especially the main staples like millet and dura as well as livestock and cash crops like sesame, groundnuts and gum arabic.

520. GDP is estimated to fall by about 1.7 per cent in 1984/85 following slides of 4.6 per cent in 1982/83 and 1.0 per cent in 1983/84. The outturn is essentially due to falls in agricultural production, by 13.4 per cent in 1982/83, 4.5 per cent in 1983/84 and a further 6.7 per cent in 1984/85.

521. In 1983, prices as reflected by the 1970 based cost of living index rose by 31.1 per cent. Tentative data project slower rates of price increases in 1984 and 1985, but the inflation rate is still above the 20 per cent mark.

II. Major development problems and policies

522. 1984/85 is yet another crisis year, albeit the more memorable for the devastating impact of the drought which afflicted the western and eastern provinces of the country. A few million in these areas were threatened with total famine had it not been for the massive relief shipments.

523. Since 1978 the Government had embarked on a series of economic stabilization programmes which included principally the liberalization of the exchange rate system, privatization and the concentration of the public sector's efforts on the completion of on-going projects, rehabilitation of existing projects - particularly those in the irrigated areas with special emphasis on export crops - and the consolidation of infrastructure especially the transport network and electric power capacity. This period also witnessed substantial increases in remittances by nationals working abroad. However, the size of problems and, in particular, the shortfall in foreign exchange to meet important input requirements such as petroleum products and other industrial inputs, proved beyond the reach of these measures.

524. A major component of the Sudanese economic stabilization programme is a system of rolling three-year investment programmes. These programmes list out development priorities and concentrated on three categories of projects: the rehabilitation of existing projects; the completion of economically viable on-going projects; and projects designed to alleviate infrastructural bottlenecks. The current Three Year Public Investment Programme, 1983/84-1985/86 is designed to achieve 6.0 per cent growth in GDP yearly. Agriculture receives the lion's share with 31.5 per cent of allocations followed by transport (18.2 per cent), manufacturing (8.3 per cent) and energy and mining (8.1 per cent). About 46 per cent of total outlays will be met from budgetary sources.

525. Although the recent difficulties in obtaining the requisite and timely foreign component might constrain the full implementation of this programme, its guiding principles still provide the policy elements. Among the measures taken during 1984/85 to help overcome the payments position is further reforms in the exchange system. In February 1985 the official exchange rate was devalued by 48 per cent to LS1 = US$0.40 and the free market rate was devalued by 31 per cent to LS1 = US$0.33. Only commercial banks are henceforth been allowed to deal in foreign exchange.

III. Expenditure on GDP

526. Public consumption expenditure has been rapidly increasing over the past few years due to the ever-growing demand on Government services especially for refugee operations. On the other hand private consumption has constantly declined in real terms since 1981 by 3.5 per cent; in 1982 by 4 per cent and maintaining the 1982 level in 1983 because of the effects of demand management measures including restrain on imports of consumer goods. Investment has been growing at a higher rate as the Government continues to implement its fourth Three-year Public Investment Programme notably in the rehabilitation of the agricultural sector and other infrastructural facilities.

IV. Public finance

527. The fiscal situation has been particularly tight by end 1970s and early 1980s. However, some progress has been made to reduce the ratio of current expenditure to GDP. The progress made in 1982/83 and 1983/84 has been encouraging, particularly given the unfavourable external environment and the concomitant severe contraction of GDP. Again, in formulating the 1984/85 budget, all components of expenditure were reduced by 7 per cent. Zakat was also introduced as a supplementary measure of revenue raising.

528. Although the 1985/86 budget has been promulgated with the same underlying philosophy as its predicessors, it has however more problems to deal with. Total expenditure is projected at LS 6,094.5 million, that is some 200 per cent over the LS 2,100 estimated for the comparable 1984/85 period. One factor which led to the expansion of the expenditure item is the inclusion of items like defence and the full IMF-debt servicing obligations which have been normally excluded from the layout of the budgetary figures (only interest featured before). The current budget however, shows that despite efforts to contain fiscal imbalance, the situation is in fact deteriorating. It shows a deficit of about LS 687.5 million while the overall budget outturn, including development expenditure, debt repayment obligations and the expected inflow of resources, shows almost double this figure viz LS 1,115.5 million which still needs to be financed from external sources, thereby bringing the gross overall deficit to be met through debt rescheduling and external financing to the tune of LS 4,748.0 million.

529. Allowing for all possible external financing and rescheduling, 1985/1986 still remains with an uncovered overall deficit of LS 1,115.5 million. The challenge for meeting this deficit which amounts to about 12 per cent of GDP is basically local. The government is currently exploring methods to enhance revenue collection. A better 1985/86 crop year could contribute to such efforts.

V. External trade, balance of payments and external debt

530. The balance of payments remains a major reflection of the type of difficulties encountered by the Sudanese economy. While chronically in deficit, in 1983, the current account deficit more than halved as compared to 1982 when the deficit was about US$714 million. The situation was somehow continued in 1984 with the deficit increasing only slightly - from US$318 million to US$361 million. In 1985 this deficit was projected to more than double, at US$721 million following an estimated fall of about 36.6 per cent in exports other than cotton. The latter, however, is projected to maintain its 1984 level of around US$300 million. These trends are taking place with the help of the reduction of the import bill, from US$1,715 million in 1982 to US$1,656 million in 1983 to an estimated US$1,457 million in 1984.

531. An adverse movement is however taking place in the capital account which turned from showing a surplus to a successive reduction of this surplus to a deficit of US$553 million in 1985. As a result the overall balance of payments position is expected to register a record US$1,274 million in 1985.

532. The fact that the irrigated sector, which produces 60 per cent of exports, has so far been largely unaffected by the drought has, through record production in cotton led to the improvement in exports. This together with the contraction in imports has helped reduce the trade deficit in 1984 by US$160 million. However, higher invisible payments largely in respect of interest and a reduced inflow of capital transfers caused the current account to deteriorate slightly to an estimated US$361 million. Increased capital outflows contributed to a decline in the overall balance of payments from US$206 million to US$380 million.

533. Sudan's external public debt outstanding is estimated at US$9 billion as at end-1984. Three Paris-club debt rescheduling meetings have been held so far, the most recent in May 1984. The agreement reached consolidated principal and interest due in 1984 arising from credit guaranteed or ensured by the Paris Club Creditor nations. The terms of the rescheduling agreement in 1984 stipulates that the consolidated amount to be repaid in 10 years, preceded by a grace period of six years.

VI. Sectoral performance

A. Agriculture

534. Agriculture is the mainstay of the Sudanese economy. It employs over 80 per cent of the population, supplies over 95 per cent of exports and a major portion of industrial raw materials. In terms of area, irrigated agriculture constitutes about 12 per cent of total cultivated area, but produces about 60 per cent of exports, principally cotton. In 1983/84 total area cultivated under this type reached 2,163 thousand feddans. The balance of 15,269 thousand feedans are rain-fed, of which mechanized farming constituted 41.5 per cent or 36.4 per cent of the total cultivated area. The irrigated sector has been marginally affected by the drought of 1982-84 which affected the rain-fed subsector. Even then, the drought although often catastrophic, had different effects depending on both the areas and the crops concerned. In some of the worst-hit western provinces, annual rainfall has fallen to a quarter of normal levels. As a result yields fell sharply particularly for crops like sorghum, millet, sesame and groundnumts.

535. Overall agricultural production, in volume terms, fell by 13.4 per cent in 1982/83 and by a further 4.9 per cent in 1984 and is estimated to suffer yet another fall of 6.7 per cent in 1984/85. The 1985/86 season however is promising in the rain-fed area as rains have generally been reported as adequate. With the shortfall in the production of food-grains in previous seasons, emphasis has now been placed on food production and a bumper crop is perhaps underway.

536. The developments in the agricultural sector have not been negative all the way. The protracted decline in the production of cotton which characterized the seven years ending 1980/81 was reversed in 1981/82, since output picked up steadily, reaching in 1984/85 its highest level in ten years. This has largely been achieved through the completion of a number of rehabilitation schemes and the revision of the incentive structure offered to the farmers. The new system involved advanced announcement of cotton crop prices, normally in December, and the adoption of individual accounting instead of group accounting.

B. Manufacturing

537. The manufacturing sector is fairly small in the Sudan and it is essentially agro-based, with major dependence on imported inputs. In recent years it has been specially affected by the foreign exchange squeeze, and its repurcussions in the rest of the economy particularly fuel and electric power shortages. As a result most manufacturing establishments operate at less than 50 per cent of installed capacity.

538. While falling in terms of value added or at best remaining stagnant for most of the later years of the 1970s and early 1980s, it however showed a considerable increase in 1983/84; rising by 20 per cent. No growth is however estimated for 1984/85. One principal factor in the 1983/84 development has been the expansion in the production of sugar from 360 thousand tonnes in 1982/83 to 430 thousand tonnes in 1983/84. Production in 1984/85 is estimated at 437 thousand tonnes. Four sugar factories at Gurieid, New Halfa, Sennar and Hajar Assalaya are being rehabilitated with external financial assistance.

C. Transport and Communications

539. Major studies has been made in the development of a modern asphalted road networks. In recent years the vital Khartoum - Port Sudan road has been built and so are the Medani - Sennar - Damazine road and Sennar Kosti road and Khartoum Dueim road being extended to Kosti. That effectively links together the most vital areas of production and consumption in the country i.e. Kassala - Khartoum - Kosti Gedaref rectangle. In western Sudan the Nyala-Kas-Zalingi road is already operational and is planned to be extended to Genena.

540. However, bulk transport still depended on the railway, one of the longest networks in Africa. Unfortunately the haulage capacity of the system has remained virtually stagnant for a long time now despite considerable investment and rehabilitation of the rail tracks. Management has frequently been cited as this sub-sector's most formidable problem.

D. Energy and mining

541. These two sub-sectors combined contribute about 2.4 per cent of GDP. While mining is stagnant, the water and electricity sub-sector is showing some growth. However, there have been serious shortages in electricity generated to meet the rising demand from industry, modern agriculture as well as institutional and household consumption. However, under Power IV Programme there will be a further expansion of the generating capacity at Roseires, Khartoum North as well as additional power for the Red Sea Coast urban centres.

542. The development of the promising oil finds in the southern and south-western parts of the country has been temporarily stopped because of the unsettled political conditions in those parts of the country. The installation of a new government in the Sudan is expected to lead to a fast solution of the conflict and hence the resumption of oil exploration and development activities in these areas.

VII. Implementation of the Substantial New Programme of Action

543. The focal point for the monitoring of the Substantial New Programme of Action is the Ministry of Finance and Economic Planning. Sudan had opted for a World Bank Consultation Group Meeting and had organized two such meetings in 1983. Total financial flow for Sudan in 1983 is estimated at US$1,020 million and the country's annual external financial requirements, including debt rescheduling is around US$1.8 billion.

VIII. Medium-term prospects

544. Agriculture holds the key to future prospects and so does government ability to reach reasonable debt rescheduling arrangements with its creditors as well as securing an enhanced level of foreign assistance over the coming few years. That secured, and with rehabilitation projects largely completed, the country can safely hope to resume its positive growth record. 1985/86 might then be on target regarding the 6 per cent growth rate stipulated by the Three-year Public Investment Programme.

TOGO

I. OVERALL GROWTH PERFORMANCE

545. Until 1982, Togo's economic growth potential was compromised by a severe drought which persisted into 1983, by the protectionist measures adopted by certain neighbouring countries and by the crushing burden of servicing its commercial debt. Thus from 1980 to 1983 real GDP decreased annually by 6.2 per cent. In 1984 there was a marked improvement, with a rate of -0.7 per cent, rising further to 3.7 per cent in 1985. Among the factors which contributed to this recovery were the resources mobilized within the framework of the two economic and financial recovery programmes put into effect with the support of the World Bank and the International Monetary Fund. These programmes both eased Togo's external debt and made substantial financial support available from the World Bank under a structural adjustment programme.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

546. In 1984 Togo's economic situation was seriously affected by a number of unfavourable factors, both internal and external. The effects of the world economic crisis persisted, and the national economy remained subject to the uncertainties of the international situation. Agricultural production at the national level was adversely affected by climate variations and by the drought which prevailed throughout the region. Because of fires which destroyed several hundred hectares of young coffee and cocoa plantations and severely damaged almost 900 hectares of selected palm trees, total losses of coffee, cocoa and palm nuts were estimated at CFAF 24 billion for the 1984-1985 seasons. That the spectre of famine could be avoided in 1984 was essentially due to the food production in the areas of the country receiving the most rainfall. The closure of Nigeria's border, added to the border problems with Ghana, led to a marked decrease in trade and hence to a drop in tax revenue. The cost of energy rose, and the closure of the national oil refinery and the leasing of the oil deposit to private companies increased energy dependence on the outside world. Extractive activity by industrial units decreased or stopped altogether. The closure of the clinker factory led to a sharp drop in exports of this product in 1984. Gross domestic product remained static.

547. With regard to management of the public sector, the efforts made under the austerity policy instituted in 1983 continued: freeze on salaries and promotions in the public service, 5 per cent solidarity tax, halting of recruitment and public service, staff cuts by 530 officials, or 1.6 per cent, between December 1983 and December 1984. Current expenditures, particularly in respect of staff, were reduced. The public debt constituted a heavy debt on state finances, and its rescheduling is envisaged for the years to come.

548. The policies applied to cope with these various problems have aimed above all at (i) achieving food self-sufficiency (increasing production, prohibiting the export of food products); (ii) combating drought and desertification; (iii) selective disengagement of the State from the industrial sector, retaining only

those production enterprises capable of ensuring greater exploitation of local resources and absorbing unemployment; (iv) increasing cash crop production (raising producer prices, increasing the areas under cultivation); (v) building transport and communications infrastructures to provide access to agricultural production regions; (vi) reducing the energy bill and balancing public finances by means of an austerity policy; and (vii) increasing the well-being of the population. These various measures had been implemented within the framework of a World Ban -supported structural adjustment programme which makes provision for the speedy elimination of payments arrears between the State and public enterprises.

III. EXPENDITURE ON GDP

549. The difficult economic situation in 1984 also had an impact on demand, in that consumption declined by 0.7 per cent. The downward trend in public consumption began as a result of the budgetary austerity policy instituted in 1983. Private consumption amounted to CFAF 211.6 billion in 1984, as against CFAF 201.5 billion in the previous year. The fall in public consumption continued in 1985 at a rate of 24.2 per cent in nominal terms, whereas private consumption rose to CFAF 379.2 billion.

550. Gross fixed capital formation amounted to CFAF 65.4 billion or 22.3 per cent of GDP. For 1985, it is estimated at CFAF 80.4 billion. Domestic savings available to finance this gross fixed capital formation declined substantially, with a negative rate of the order of -17.3 per cent in 1985 as against +5.1 per cent in 1984. The resource deficit, which remained stable in 1983 and 1984, leapt by almost 58 per cent in 1985, from CFAF 26.9 billion to 42.4 billion. This unfavourable development is the result of static exports together with a sharp rise in imports.

IV. PUBLIC FINANCE

551. During the 1984 fiscal period, State revenue and grants amounted to CFAF 103.6 billion, including 67.4 billion in tax revenue and 21.2 billion in non-tax revenue. The level of current expenditures was CFAF 76.5 billion in addition to CFAF 33.4 billion capital expenditures. The period closed with a deficit of CFAF 6.3 billion. This effort at recovery continued in 1985 with a deficit of CFAF 106 million. These various deficits were lessened as a result of a substantial increase in revenue together with a drop in current expenditure by about 12.6 per cent a year over the period 1983-1985. This improvement in the fiscal situation was also assisted by: (i) the introduction of a 5 per cent national solidarity tax deducted at source; (ii) a freeze on the salaries, recruitment and promotion of officials; (iii) a reform of the public enterprise sector involving the closure or privatization of certain units; and (iv) improved scheduling of public investments. Thus the overall deficit (excluding grants) was reduced from the equivalent of 8.7 per cent of GDP in 1982 to 7.3 per cent in 1984 and 7 per cent in 1985.

552. The monetary situation on 30 September 1984 was characterized by a substantial rise in the monetary institutions' net foreign assets a significant contraction of domestic credit resulting primarily from a reduction in the Government's net liability position, and a marked resumption of growth of the money supply. Net foreign assets rose from CFAF 26.9 billion in 1983 to CFAF 55 billion in 1984, while domestic credit fell by CFAF 8.8 billion. The money supply increased from CFAF 98 billion in 1983 to CFAF 118.3 billion in 1984, an increase of 20.7 per cent.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

553. Trade is an essential activity in Togo because of the country's role as a transit centre. Some recovery has been apparent in this sector despite the slow-down in regional trade following the closure of its borders by Nigeria, the principal outlet. In all, following a sluggish situation in 1983, imports as well as exports, in which cocoa, coffee, phosphates and clinker predominated, began a marked upsurge in 1984, with average annual growth rates of 13.1 per cent and 7.2 per cent respectively. However, the balance of trade deficit, which had been stable at around CFAF 7.6 billion in 1983 and 1984, increased substantially in 1985 to CFAF 20.4 billion.

554. The balance of payments closed in 1984 and 1985 with a deficit which fell from CFAF 6 billion to CFAF 1.4 billion. This situation is the result essentially of Togo's role as a commercial and financial centre, reflected in substantial inflows of short-term capital which almost doubled over the period, remaining each year at a level more or less equal to the current payments deficit - CFAF 23.1 billion and 40.7 billion in 1984 and 1985 respectively - which the stagnation of unrequired transfers at about CFAF 19 billion made it impossible to reduce.

555. The external debt, estimated at CFAF 314.2 billion at the end of 1983, continued to constitute a heavy burden on the State's finances. To help ease it, Togo's creditors agreed to rescheduling covering 5 per cent of payments due in 1984. The results for 1985, estimated on the basis of the forecasts made after the last series of reschedulings agreed to by the Club of Paris, give a fairly heavy debt service burden. For that year, obligations in respect of the servicing of the external public debt, without allowing for the new rescheduling, amount to about CFAF 56 billion, or more than 50 per cent of public revenue and exports.

VI. SECTORAL PERFORMANCE

A. Primary Sector

556. The primary sector has always occupied an important place in Togo's economy. More than 80 per cent of the economically active population works in the sector, and over the period under review it accounted for about 32.4 per cent of GDP. The trend was towards falling harvests for most crops, despite the improvement in climatic conditions. Thus cereals production was down by 3.3 per cent in 1985, at about 1, 142, 000 tons.

557. Within the framework of the food self-sufficiency policy which forms part of the fourth economic and social development plan, particular priority is assigned to the development of food-crop production, exports of which are prohibited as long as domestic demand is not fully met. At the same time, measures are being taken to promote cash crops by means of substantial increases in yields and areas under cultivation. The difficulties Togolese agriculture faces seem essentially from climatic factors. Nevertheless, rainfall in 1984 was good, and the results of the growing season were encouraging over the same period, during which producer prices were increased from CFAF 235 to 315 per kilogramme for coffee, CFAF 235 to 300 per kilogramme for cocoa, and CFAF 65 to 90 for cotton.

558. In the mining sector, phosphate exports increased by 36.0 per cent and accounted for 44.4 per cent of total expoet earnings, the quantity mined and exported being estimated at 2,400 tons in 1984. The price per ton rose to CFAF 16,651 after remaining static at around CFAF 14,000 in 1982 and 1983. The contribution of the Office togolais des phosphates to the national budget amounted in 1984 to CFAF 13 billion, or 14.7 per cent of the country's budgetary income.

B. Secondary sector

559. In the manufacturing industries sector, most production units have been faced with enormous difficulties which have resulted in a downward trend in production. The share of manufacturing industries in GDP at current prices was 7 per cent in 1984, or CFAF 19.5 billion, as against CFAF 20.1 billion in 1983. After the decline in 1984, a recovery by about 11.3 per cent was apparent in 1985, primarily because of a significant upsurge in demand on regional markets for palm tree products and those of the Brasserie du Benin.

560. The slow-down apparent in the building and public works sector is one of the consequences of the continuing economic crisis the country is going through and of the difficulties experienced by CIMAO. Investment in this sector was confined essentially to the rehabilitation and maintenance of the existing stock. The share of the building and public works industry in gross domestic product, which had been 3 per cent in 1984, rose in 1985 to 9.3 per cent at current prices as a result of the resumption of certain major infrastructural works.

C. Tertiary sector

561. This sector is dominated by trade and transport and communications which respectively contribute on average 22 and 7 per cent to GDP formation. After the recession in the trade sector in 1983, with a -6.9 per cent growth rate, a recovery of about 5.3 per cent was apparent in 1984, despite the closure of the border with Nigeria. Over the same period, transport activities followed the same trends, primarily because of the decrease in traffic at the autonomous port of Lome in favour of other ports in the Gulf of Guinea.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

562. In the context of the implementation of the Substantial New Programme of Action, the Government of Togo organized a donors round table from 26-28 June 1985. The feature which distinguished this meeting from those held in the past is that it was chired jointly by UNDP and the World Bank. The public investment programme for 1985-1990 submitted by the Government totals about CFAF 609 billion, including about CFAF 229 billion for the phosphoric acid project and CFAF 32 billion for Togo's share in the Nagbeto Dam currently under construction. The investment/GDP ratio resulting from the proposed programme is high. Between 1987 and 1990 it will be growing rapidly in comparison with the estimated rate for 1984. This increase in the investment rate will entail an increase in the requirement for outside financing. However, if the phospheric acid project was postponed until after 1990, the Government's public investment programme would amount to only about CFAF 380 billion, which would reduce the investment rate and the financing requirements to levels close to those achieved in 1984.

563.. A third of the financing sought for the projects, or CFAF 118 billion, already seems to have been obtained, while the contribution of the Togoles state is expected to be around 11 per cent. The likely sectoral breakdown is as follows: 35 per cent for rural development, 5 per cent for the rehabilitation of the industry sector, 52 per cent for infrastructures and 8 per cent for the socio-cultural sector. To the CFAF 360 billion to be allocated to projects should be added CFAF 19 billion for a participatory community development programme and CFAF 85 billion for non-project financing. In all, priority projects amounting to CFAF 467 billion were submitted to the round table. The favourable reactions of donors to the strategy and projects submitted suggest that substantial resource flows will be avilable, so that the financial re-organization already begun will be accompanied by a lasting revival of productive activity.

564. As a follow-up to the round table, a unit for the promotion and co-ordination of local and participatory development programmes has been established within the Ministry of Planning. It is also planned to hold information and concertation meetings with non-governmental organizations. At the international level, donors have adopted a programme of activities to follow up and improve the co-ordination of foreign aid.

VIII. DEVELOPMENT PROSPECTS

565. With the halting of production at certain industrial units, particularly CIMAO, which is not expected to resume production before 1984, and the continued closure of the border with Nigeria, the situation in 1986 is likely to be marked by a slow down in regional trade, with GDP growing at a rate more or less equal to that for 1985, or 3.8 per cent in real terms. The economic and financial recovery and structural adjustment effort undertaken with the support of the International Monetary Fund and the World Bank is likely to continue despite the social costs involved. However, the foreign debt burden will remain heavy, with servicing amounting to about CFAF 60 billion or 30 per cent of public revenue, despite the renewal of the stand-by arrangements with IMF and the new reschedulings agreed to by the Club of Paris.

UGANDA

I. OVERALL GROWTH PERFORMANCE

566. The security crisis that has prevailed in Uganda since 1971 has had an adverse impact on economic performance. During the 1970s, real GDP declined on an annual average of approximately 2 per cent. With the emergence of the new regime a 10-year national economic programme (1981-1990) was drawn up in 1981 which laid emphasis on reconstruction and rehabilitation of the main commodity producing sectors. The programme initially attracted a substantial external capital injection including the financial backing of the IMF and the World Bank. Consequently signs of recovery were reflected in real GDP growth in 1981 of 4 per cent and an increase of 8.2 per cent in 1982.

567. However the civil war has dissipated these positive developments towards recovery and in 1984, real GDP growth slipped to around 7.3 per cent and expected to decline further to 5 per cent in 1985. The persistent budget deficits, which is partly explained by the enormous increases in defense speding, and the recourse to the Domestic Banking Sources to finance it has led to increases in the money supply. Also, the government's quadrupling of Civil Serviants salaries combined an increase in purchasing power with a decrease in imported goods, setting off a dazzling inflationary spiral. In 1984, the rate of inflation shot up to 200 per cent after dropping from 107 per cent in 1980 to around 30 per cent in 1982.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

568. The myth of Uganda's economic recovery had developed out of its adoption since 1981, of a package of free market policies including a floating of the exchange rate, liberal import regulations, end to price controls and subsidies and an open door to foreign private investment. But the civil war has disrupted economic activity: paralysing the internal transport network hence undermining the flow of essential goods, especially raw materials, spareparts and equipments which has led to the sluggish performance of the key productive sectors. External debt repayment obligations, which account for well over 50 per cent of total export earnings, constitutes another major problem and the fact that international interest rates on commercial loans are on the increase, the internal situation is unlikely to improve.

569. The immediate impact of the devaluation was a 90 per cent reduction of the Ugandan shilling in dollar terms ($1 - 78/-) but with the introduction of the two-tier exchange rate system, in particular window 2, which was aimed at curbing the excess of the black market, resulted in a unified rate of Ushs. 530 to $1 by July 1984. The window 2 system had itself skewed import structure away from productive imports towards consumer claims. Bank of Uganda figures indicate that between July and September 1984 only 13.4 per cent of window 2 payments went to construction materials, while 13.1 per cent was spent on textiles and clothing and another 6 per cent on private travel. It had also become a vehicle for the transfer of funds abroad through such schemes as overinvoicing. The system was suspended after the attainment of the unified exchange rate but foreign exchange auctions were retained.

570. Because of the slow rate of recovery, the Government introduced a revised version of the immediate action component (1983-1985) of the economic recovery programme in November 1983. Among the policy initiatives, producer prices which had been extremely low (e.g. Uganda's coffee producers were getting about 9.8 per cent of the world price of a kilo of coffee) were increased several-fold as an incentive to enhance production. In the same direction, the government had allowed producers to retain 15 per cent of foreign exchange proceeds to finance imports of essential inputs. Fiscal measures include tariff increases for locally produced goods as a protective shield for domestic producers. In 1982, the government amended the foreign investors protection act by which taxes on special imports were eliminated; corporate taxes reduced until investment is recouped and gave permission for the repatriation of profit and dividends. Income tax cuts have been introduced at all levels, with the minimum threshold raised from Ush. 100,000 to Ush. 150,000 per annum.

III. EXPENDITURE ON GDP

571. Trends in domestic expenditure on GDP, show substantial increases in both public and private consumption, the former because of increased defense spending which takes up about 40 per cent of total government outlays, and the latter because of the increased purchasing power which emanated from salary increases for civil servants and the setting of the minimum wage at Ushs. 6,000 from its 1984 level of Ushs. 1,000. Gross fixed capital formation increased slightly during 1983/84 as a result of the reconstruction and rehabilitation programme. Private domestic investment had stagnated due to internal security problems and domestic savings rate had declined considerably.

IV. PUBLIC FINANCE

572. For the 1985/86 budget year, total revenue is estimated at Ushs. 321.1 billion. About Ush. 249 billion is expected to come from tax revenue and Ush. 72 billion from grants and external loans. On the other hand total expenditure is expected to be around Ushs. 349.2 billion of which development expenditure will take up about Ushs. 138.5 billion. The increased level of recurrant expenditure, about 61 per cent of total expenditure, is attributed to heavy defense spending and the currency problem which necessitated an adjustment of the budget estimates upwards. About Ush. 20 billion of the Ushs. 28 billion deficit will be financed by borrowing from the domestic banking sources and the remainder will be funded from external sources.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

573. In 1984, the value of exports was around $392.5 million, as compared to $330 millin in 1983. Coffee is Uganda's major foreign exchange earner accounting on an average for 90 per cent of total export earnings. The award of an additional quota of 100,000 bags to Uganda by ICO for the 1984/85 and 1985/86 crop years implies increased export earnings provided farmers

respond positively to the government's incentive package aimed at enhancing production. On the other hand, there was a contraction in the volume of imports due to the closure of the window 2 system under the two tier exchange rate regime. As a result, import, was down by 14 per cent to $ 428 million in 1984 as against $ 497 million in 1983. With the reduction in the trade balance and other items on the current account, a balance of payment surplus of $ 34 million was recorded in 1983/84 as compared to a deficit of $ 98 million 1982/83, although this is assumed to include aid flows.

574. Total external debt as at end-1983 was estimated at $ 756 million and the debt service ratio had gone up to 51 per cent in 1984/85. At a Paris Club meeting in December 1982, Uganda's six main creditor nations agreed to reschedule its debt over a 10 year period. Negotiations with the IMF on a three-year extended fund facility are still stalled. In fact in June 1984, it is reported that IMF decided to hold back $ 35 million of its $ 95 million 1984/85 standby arrangement.

VI. SECTORAL PERFORMANCE

A. Food and agriculture

575. The Ugandan economy is dominated by agriculture which accounts for about 80 per cent of GDP and providing livelihood for 90 per cent of the population. Production of coffee, was estimated at 192,000 tonnes in 1983/84 which is a substantial improvement over the previous crop years, although part of the output should be discounted for smuggling activities. Uganda's quota of 4.44 per cent or 2.5 million bags, of the global ICO quota, has been increased by an additional 100,000 bags for the 1984/85 and 1985/86 growing seasons. Other cash crops include cotton, production of which in 1983/84 was estimated at 16,953 tonnes, an increase of 21 per cent over the 1982/83 level of 13,940 tonnes; and tea output which was only 3,000 tonnes in 1983/84. Producer prices for the major cash crops have been increased several fold their 1984 level as a means of enhancing agricultural production. The recovery programme also lays emphasis on the sector, claiming 30 per cent of the investment allocation under the rehabilitation programme.

576. With respect to food crops, millet and plantain are the main staples. Others include sorghum, sweet potatoes, groundnuts, cassava and maize. Despite the drought conditions in 1984, production of food crops were at an adequate level to permit export to neighbouring countries. In order to boost production of these non-traditional exports, the government has indicated that in future farmers should retain 15 per cent of foreign exchange proceeds to finance imported inputs.

B. Mining

577. The principal minerals in Uganda are copper, limestone (for cement) and phosphates. Production virtually halted during the 1970s and even the present level of output is negligible. The government is intensively pursuing a major rehabilitation programme for the sector. Following the

feasibility study of the Kilembe mines, it is hoped not ony to resume copper production but also to process cobalt which has been stockpiled as a by-product of copper. The possibility of using by-product sulphuric acid from Kilembe in a phosphate fertilizer project is also been pursued.

C. Manufacturing

578. Since 1981, the general performance of the manufacturing sector picked up from a very low base to register some positive growth despite such production problems as low demand, shortage of inputs, equipment breakdown, lack of spareparts, etc. The sector registered a growth of 6.8 per cent in 1981/82 and 9 per cent in 1982/83. This was largely attributed to the large injection of external capital during the initial years of the recovery programme.

579. The problems cited earlier had contributed to low capacity utilization in the manufacturing sector. According to a Survey of 24 relatively small and 18 medium-to-large scale public enterprises, average capacity utilization in 1983 was around 22 per cent as compared to 20 per cent in 1982. Funding for raw materials and other inputs included a $ 32 million industrial rehabilitation loan from the IDA and other loans from the EEC, ADB and other Multilateral Financing Agencies. A small scale industrial development project is underway with the support of a $ 5 million credit from the World Bank and a further $ 30 million loan for medium size industries. The government is also negotiating lines of credit to Uganda Development Bank and Uganda Commercial Bank for importation of raw materials, machinery and spare parts.

D. Energy

580. An estimated 95 per cent of Uganda's energy needs are met from fuelwood and charcoal. In the commercial energy sector (17 per cent of total energy requirements) importation of petroleum products make up 21 per cent and absorbs about 30 per cent of total export earnings. The hydroelectric potential is estimated at 1955 MW and the government is given top priority to the optimum utilization of such endowment. Installed capacity at the Owen Falls is to be increased by 60 MW from its present level of 150 MW. Total sales of electricity in 1983 was around 469 million Kwh including 218 million Kwh to Kenya.

E. Transport and Communications

581. Uganda has 1240 Km of railways whose operation is heavily dependent on neighbouring Kenya. The country is landlocked but makes use of the Port of Mombassa for the transhipment of its exports and imports. Between 1980-1983, rail passenger movement increased by 160 per cent and freight by 104 per cent. There are 27,000 km of classified roads of which 1,800 km are bitumen. Due to the heavy reconstruction needs of both the transport and communication infrastructural facilities, the government allocated 21 per cent of the investment for the national recovery programme to the sector, with emphasis on the rehabilitation of the ralways and improvement of roads, especially rural feeder roads.

VII. IMPLEMENTATION OF THE SNPA

582. The focal point for the Implementation of the Substantial New Programme of Action (SNPA) in Uganda is the Ministry of Planning and Economic Development which is also charged with task of monitoring the utilisation of external assistance in line with the priorities of the revised recovery programme (1983-1985). The government had opted for a World Bank consultative group meeting with donors and had presented its policy package and investment programmes to two such meetings in 1982 and 1984. Donor commitments is estimated at $ 1,364 million including a World Bank programme and project loan of $ 541 million for reconstruction and agricultural rehabilitation and an IMF loan of $ 331 million in aid of the immediate action component of the national recovery programme. The UK's aid programme worth $ 70 million since 1980, will continue especially the $ 15 million power rehabilitation programme for the Owen Falls Dam.

VIII. MEDIUM-TERM PROSPECTS

583. The civil war in Uganda has dampened the prospects for a speedy economic recovery. The November 1985 peace agreement, if followed by a containment of the security situation, may provide a better environment for the realization of the targets of the recovery programme over the next few years.

584. The country has been awarded an additional 100,000 bags of coffee over and above its 4.44 per cent or 2.5 million bags of coffee of the ICO global quota. Recognizing the significance of coffee as the major foreign exchange earner (about 90 per cent of total export proceeds), the government had increased producer prices of coffee several-fold in order to encourage farmers to boost production. Consequently the expected increased export volume would mean higher foreign exchange inflows depending on the world market price of coffee.

585. Negotiations with the IMF for a three-year extended fund facility have been stalled and this might have a negative impact on external resource flows in support of the recovery programme. With such gloomy prospects, real GDP growth is estimated to drop to 5 per cent in 1985 compared to 7.3 per cent in 1984, and the 1986 forecast is a rate of growth of only 3.4 per cent.

TANZANIA

I. OVERALL GROWTH PERFORMANCE

586. Tanzania has been under severe financial and economic pressure over the past few years and this has persisted in fiscal year 1984/85 mainly as a result of the non-attainment of the foreign exchange requirement target of the Structural Adjustment Programme (SAP) which rendered key productive sectors incapable of meeting ouput targets. However, a reversal of past trends which was marked by deteriorating growth performance, was observed in 1983 when a modest growth in GDP in real terms of 1.5 per cent (at constant 1966 prices) was achieved, compared to declines of 2.6 per cent and 1.9 per cent recorded in 1981 and 1982 respectively.

587. The recovery was maintained in 1984 with an estimated 2.5 per cent (taking into account base year change from 1966 to 1976) growth in GDP in real terms (at 1976 prices). This performance was attributed mainly to a growth of 2.5 per cent in the agriculture sector as well as positive developments in the service sector. With a high annual increase of 3.3 per cent in population growth, GDP per capita dropped to Tshs. 1221 in 1984 as against Tshs. 1351 in 1983 and Tshs. 1296 in 1982.

588. According to official figures, the rate of inflation between 1980-1984, shot up to an average of 30.3 per cent compared to a range of 6.8 per cent and 12.9 per cent observed during 1976-1979. This escalation in the general domestic price level is highly correlated with the huge bank borrowing by the Government to finance the ever-increasing budget deficits over the past few years. Another plausible explanation for the surge in prices is the inability of the Government to control prices in the aftermath of the import liberalization scheme which allows own- foreign exchange public and private enterprises that the rate of inflation will hover around 38.4 per cent.

II. MAJOR DEVELOPMENT PROBLEMS AND POLICIES

589. Over the past four years, the Tanzania economy has been faced with serious financial problems mainly as a result of the inability of the Government to raise the foreign exchange needs under the Structural Adjustment Programme (SAP). This, in turn, has led to a production crisis, whereby growth performance of the key productive sectors - agriculture, mining and manufacturing which rely heavily on foreign exchange earnings - have continued to deteriorate. An area to be underscored is the deteriorating terms of trade which has undercut the nations capacity to meet its import requirements.

590. Another problem area is the recurrence of budget deficits since the 1979/80 financial year. In 1984/85 the deficit will reach Tsh. 2674 million and is expected to rise to Tshs. 3448.8 million in 1985/86. The Government's recourse to domestic banking sources to finance the deficit had also contributed to the escalation in the general price levels which in 1984/85 is expected to be around 38 per cent.

591. Added to the above problems is the burden of inefficient parastatals which had collectively reported losses of Tshs. 1.9 billion in 1983/84 of which the National Milling Corporation (NMC) alone, lost some Tshs. 1.2 billion. Aggregate losses by the parastatals exceeded aggregate profits by Tshs. 82.4 million in 1983/84 and the situation in 1984/85 is even grimmer.

592. In order to arrest the above undesirable occurences in the Tanzanian economy, the Government adopted a National Economic Survival Programme (NESP) as far back as 1981. It aimed at increasing and efficiently utilizing foreign exchange earnings; restoration of reasonable agricultural output levels; controlling expenditures and increasing parastatal efficiency. The emergency and narrow nature of the programme led to its replacement by a World Bank sponsored Structural Adjustment Programme (SAP) - (1982/83 - 1984/85).

593. Broadly, the aim of SAP was to get inflation under control and to achieve a quick restoration of the productive activities facilitated by an external injection of balance-of-payments support. Very important measures were undertaken under SAP, which included, inter alia, restructuring and reorganization of parastatals to increase efficiency; stringent control in public expenditures; increases in producer prices; and the import liberalization scheme. Overall the implementation of SAP have not met the original expectations due to shortfall in foreign exchange inflows. However, the measures have helped to make the economic problems of Tanzania from becoming worse. It is, therefore, the intention of the Government to strengthen these measures in the years ahead in order to restrore the necessary balances in the economy.

594. The implementation period of SAP ended in June 1985 and with no agreement in sight between the government and the IMF (consequently a strained World Bank/Tanzania relationship), a three-year public investment and rehabilitation programme - 1986/87 - 1988/89 - has been drawn up by the government. Areas singled out for resource concentration are agriculture, industry, transport and communications and energy. There will also be provision for recurrent inputs and raw materials to other priority sectors and improvement in social services.

III. EXPENDITURE ON GDP

595. Public and private consumption which had a share in GDP of 15.2 per cent and 75 per cent in 1983, maintained the same magnitudes in 1984. The domestic savings rate dropped from 26.1 per cent in 1982 to 18.2 per cent in 1984, because of persistent inflationary tendencies. Gross fixed capital formation continued its downward trend into 1984 at Tshs. 4598 million (1976 prices) as against Tshs. 5100 million in 1983 and Tshs. 6414 in 1982. The ratio of gross fixed capital formation to GDP declined from 21 per cent in 1983 to 18 per cent in 1984. The reduction in both public and private sector investment due to shortage of construction materials and equipment contributed to this poor showing.

IV. PUBLIC FINANCE

596. At the end of fiscal year 1984/85, actual out-turn of recurrent revenue was estimated at Tshs. 18 000 million, an increase of 19.7 per cent over the original budget estimate. This was a result of stiff fiscal measures such as higher rates of sales tax on petrol, beer and cigarettes and increased custom intakes following the import liberalization.

597. On the expenditure side, official estimates indicate that recurrent expenditure will amount to Tsh. 20,674.2 million in 1984/85, an increase of 14 per cent over budgeted expenditures. This rise is attributed to increases in debt replayment obligation due to interest and loan maturities and other unbudgetted expenditures on general services. Due to inflationary pressures, development expenditures is also expected to reach Tshs. 7 383 million instead of the initial estimate of Tshs. 6560 million.

598. The persistent budget deficit over the years - Tshs. 2716.4 million in 1983/84, Tshs. 2674 million in 1984/85 and a 1985/86 estimate of TShs.3448.8 million, has continued to place a heavy burden on public finance of Tanzania. The Government increasingly resorted to domestic bank borrowing to finance these deficits. In 1984/85 bank borrowing is expected to be contained at around Tshs. 4000 million instead of the original estimate of credit from the domestic banking system of Tshs. 5200 million.

V. EXTERNAL TRADE, BALANCE OF PAYMENTS AND EXTERNAL DEBT

599. During the recent past, there has been a marked deterioration in the external trade position of Tanzania and 1984 was no exception. Provisional estimates indicate that the value of exports declined from $412 million in 1983 to $401 million in 1984 despite a sharp increase in production and consequently increased volume of export of major cash crops. The fall in export earnings is a result of unfavourable world market prices for Tanzania's main crops (tobacco, cotton, cashew nuts).

600. On the import side, a 12 per cent increase was observed in 1984 with total imports of $988 million as against $881 million in 1983. The response of owners of foreign exchange resources to the Government's import liberalization scheme explains the increase in imports in 1984. Hence, the trade balance was in deficit of US$587 million in 1984 compared to US$469 million in 1983, an increase of 25 per cent.

601. The balance on services registered a surplus of US$34.8 million in 1984, an increase of US$0.7 million over 1983. unrequited transfers also recorded a surplus of US$11.2 million. As a result of these developments on the current and capital accounts and other items, the overall balance of payment was in deficit to the tune of US$200.6 million in 1984 which breeds a considerable disquiet for future external payment requirements.

602. Total external debt at end-1984 is estimated at US$2000 million and the debt service ratio has gone up to 25 per cent. Debt repayment obligation has risen from US$89.7 million in 1980, US$105 million in 1981, US$82.5 million in 1982, US$179.6 million in 1983, US$240.4 million in 1984 to US$262 million in 1985 and it is expected to reach US$271 million in 1986. At the same time there has been an accumulation of large arrears on short-term commercial credits due to the scarcity of foreign exchange.

VI. SECTORAL PERFORMANCE

(a) Agriculture

603. The agriculture sector recovered slightly from the on-slaught of the 1984 drought conditions when both cash and food crop production fell far below their 1982/83 levels. At end-1984, the sector grew by 2.5 per cent as compared to a decline of 0.9 per cent in 1983 and the steep falls of 8 per cent in 1981 and 5.6 per cent in 1982. During the 1984/85 growing season, rainfalls were reported in many parts of the country which yielded a dividend in improved food and cash crop production. Consequently, food grain imports (maize, wheat and rice) declined considerably by 55 per cent to 179 539 tonnes in 1984/85 compared to 326 886 tonnes in 1983/84.

604. Actual production figures for cash and food crops are difficult to obtain in Tanzania due to the large subsistence farming activities and other small holder operations. Hence purchases of the National Milling Corporation (NMC) are a fairly close guide to overall output. As of January 1, 1985 purchases of NMC were as follows: maize - 80911 tonnes or 77 per cent of production target of 104,908 tonnes for the season; rice - 9590 tonnes as compared to 13 284 tonnes for the whole of 1983/84; wheat - 32 435 tonnes as against 28 256 tonnes in 1983/84. With respect to NMC purchases of major cash crops - 37 080 tonnes of coffee; 50 463 of cotton; tobacco - 13 310 tonnes or 95 per cent of anticipated total output of 14 000 tonnes for 1984/85; cashewnuts 29 465 tonnes about 59 per cent of projected output level of 50 000 tonnes.

605. Tanzania's agricultural sector is inhibited by numerous problems, notably the lack of essential inputs (fertilizers, seeds, implements and tools, etc.), infrastructural problems in particular transport and other distributional factors (inadequacy of farm to market roads), lack of proper extension services; post harvest losses due to insufficient storage facilities.

606. The Government, however, has taken appropriate measures to redress these problems. A revitalization of the irrigation schemes to reduce dependence on rain-fed agriculture; improvement in the input distribution system of sub-regional farm service centers; increased producer prices as an incentive to farmers etc. A national food strategy, whose main objective is food self-sufficiency, has been drawn up. Marketing boards are permitted to retain 50 per cent of export earnings abroad for the importation of essential requirements. In 1985/86, 30.7 per cent of the development budget has been earmarked for agriculture and the sums will be directed to regions with favourable climatic conditions and to the preparation and implementation of cash crop packages.

(b) Manufacturing

607. Value added in the manufacturing sector dropped again in 1984 to Tshs. 1171 million (at 1976 prices) as compared to Tshs. 1351 in 1983, a decline of 13.3 per cent. The share of the sector in GDP decreased from 5.5 per cent in 1983, to 4.7 per cent in 1984 (at 1976 prices). On average, the share of manufacturing in GDP had decreased by 18 per cent between 1978-1984. This trend is incompatible with the projected annual growth rate of 8.8 per cent of the industrial sector envisaged up to the year 2000.

608. The main problem area, as in previous years, center around the acute shortage of foreign exchange resources to import industrial raw materials and fuels, machineries, spare and other essential requirements. This has caused wide spread under-utilization of capacities in the manufacturing sector far less than 40 per cent (with the exception of beer and cigarettes) of installed capacities.

(c) Mining

609. The share of mining in GDP remained stagnant at the 1983 level - 0.7 per cent - despite a modest growth of 2.2 per cent in 1984 (at 1976 prices). Mineral sales showed an improvement in 1984 due mainly to favourable world prices for diamonds and salt.

610. Mining operations in Tanzania is handicapped by the government's inability to provide the huge investment capital needed to rehabilitate old mines and for the introduction of modern techniques in the sector. Poor marketing arrangements for small scale miners has contributed to the siphoning of a sizeable amount of foreign exchange through smuggling activities.

(d) Transport and communications

611. Official statistics indicate that the transport and communications sector registered an impressive 11.1 per cent growth in 1984 (at 1976 prices). Behind this figure are worsening conditions of roads, lack of spare parts to maintain vehicles; a railway system that badly needs rehabilitation, etc. Hence, a plausible explanation for the growth performance, is hikes in tariffs for all modes of transport.

612. Post and telecommunications facilities is a marked achievement in Tanzania relative to other African countries and the Government continues to expand services to meet both rural and urban demand. The 1985/86 rolling plan lay emphasis on rehabilitation of existing facilities and new investment in equipments for the sector as a whole including rectifying problems areas in the transport sub-sector.

(e) Social sector

613. The provision of basic health and education facilities continues to be a priority pre-occupation of the Tanzanian Government and the sizeable allocation of resources to these sectors in the 1985/86 budget is a testimony

of that desire to successfully implement the Universal Primary Education (UPE) programme and other training needs (at the secondary - technical and university levels) as well as improvement in health facilities both quantitatively and qualitatively, and its equitable dispersion, especially in the rural areas.

VII. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION

614. The focal point for the monitoring and follow-up of the Substantial New Programme for Action in Tanzania is the Ministry of Planning and Economic Affairs. The Government had opted for a World Bank consultative group meeting with donors. In early 1981, the Government adopted a National Economic Survival Programme (NESP) but because of its emergency nature and limitations in scope, it was later replaced by a World Bank sponsored-structural adjustment programme.

615. The failure of Tanzania to reach an agreement with the IMF has had a negative impact on bilateral and multilateral development assistance flows on concessionary terms. Major donors seem to have implicitly tied resource flows to the country to a pre-condition of an agreement with the fund. In fact the ambitious foreign exchange targets in the SAP was not met throughout the implementation of the programme. Initial estimates put total foreign exchange requirements for economic rehabilitation over the next three years at US$1207 million in 1986/87, US$1235 million in 1987/88 and US$1300 million in 1988/89. External assistance in 1984/85 financed an estimated 46 per cent of the development budget compared to 47 per cent in 1983/84. In view of the fact that no agreement has been reached with the IMF, Tanzania has not been able to hold its consultative meeting up to now.

VIII. MEDIUM-TERM PROSPECTS

616. The successful implementation of the economic rehabilitation programme and hence the sustainance of the modest recovery achieved in 1984 will depend to a large extent on flows of the minimum foreign exchange requirements envisaged during 1986/87 - 1988/89. With good weather conditions prevailing combained with adequate producer price levels, and favourable world market conditions the agriculture sector is expected to sustain or possibly surpass the 1984 growth rate. On the whole, based on Tanzania's long-term perspective plan (1981-2000) GDP is forecast to increase from TShs. 38,804 million in 1980 to TShs. 51,964 million in 1986 at market prices.